



*State Policies for
Developing Green Power
Markets*

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Conclusions

- Energy of all kinds are subsidized and incentivized in some way. Well-crafted incentives can make a big difference.
- New approaches that blend regulation and competition may hold a lot of promise.





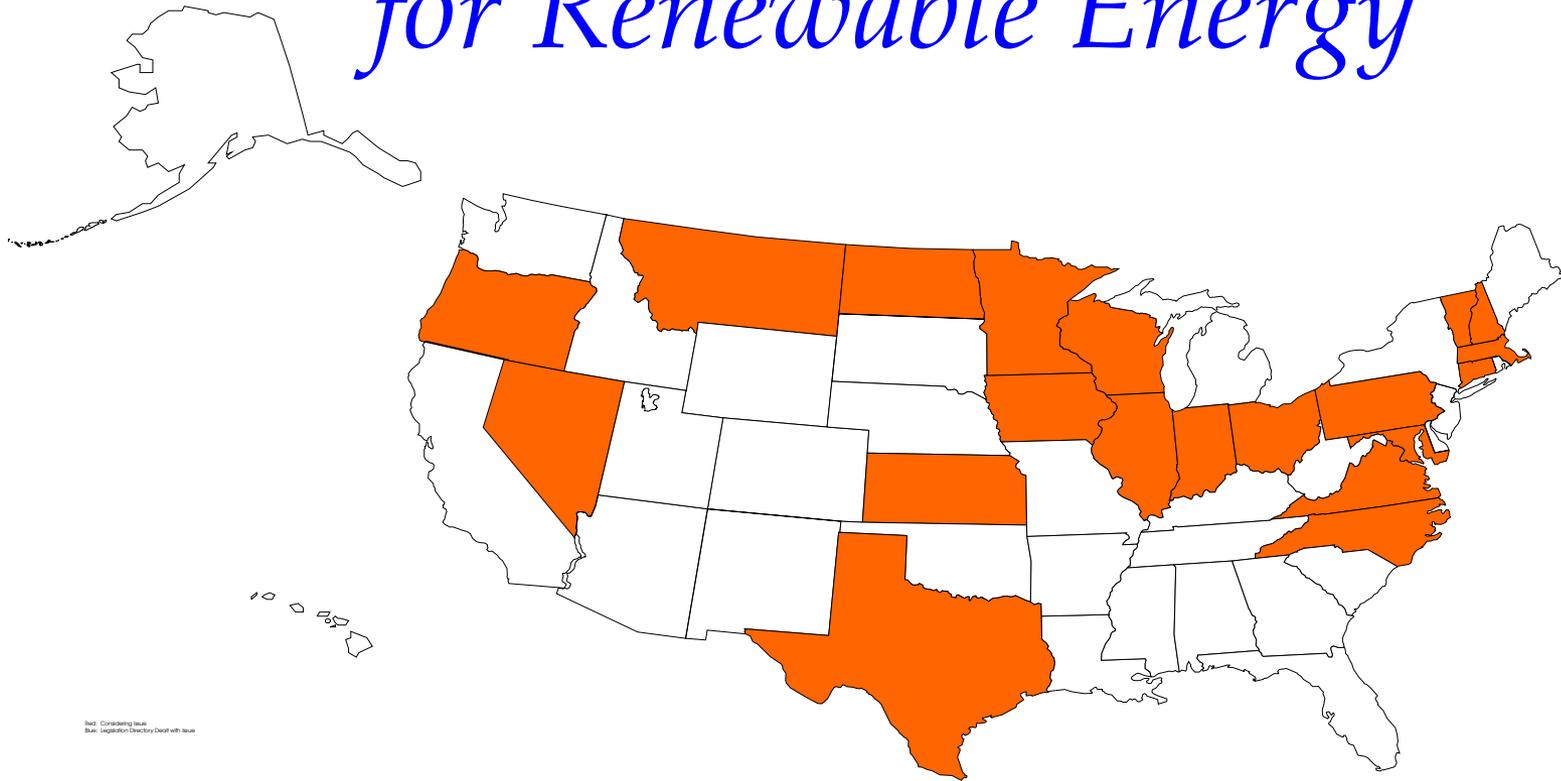
State Policies: The Categories

- Incentives (usually financial)
- Mandates (flexible or not)
- Market enablers/market push policies



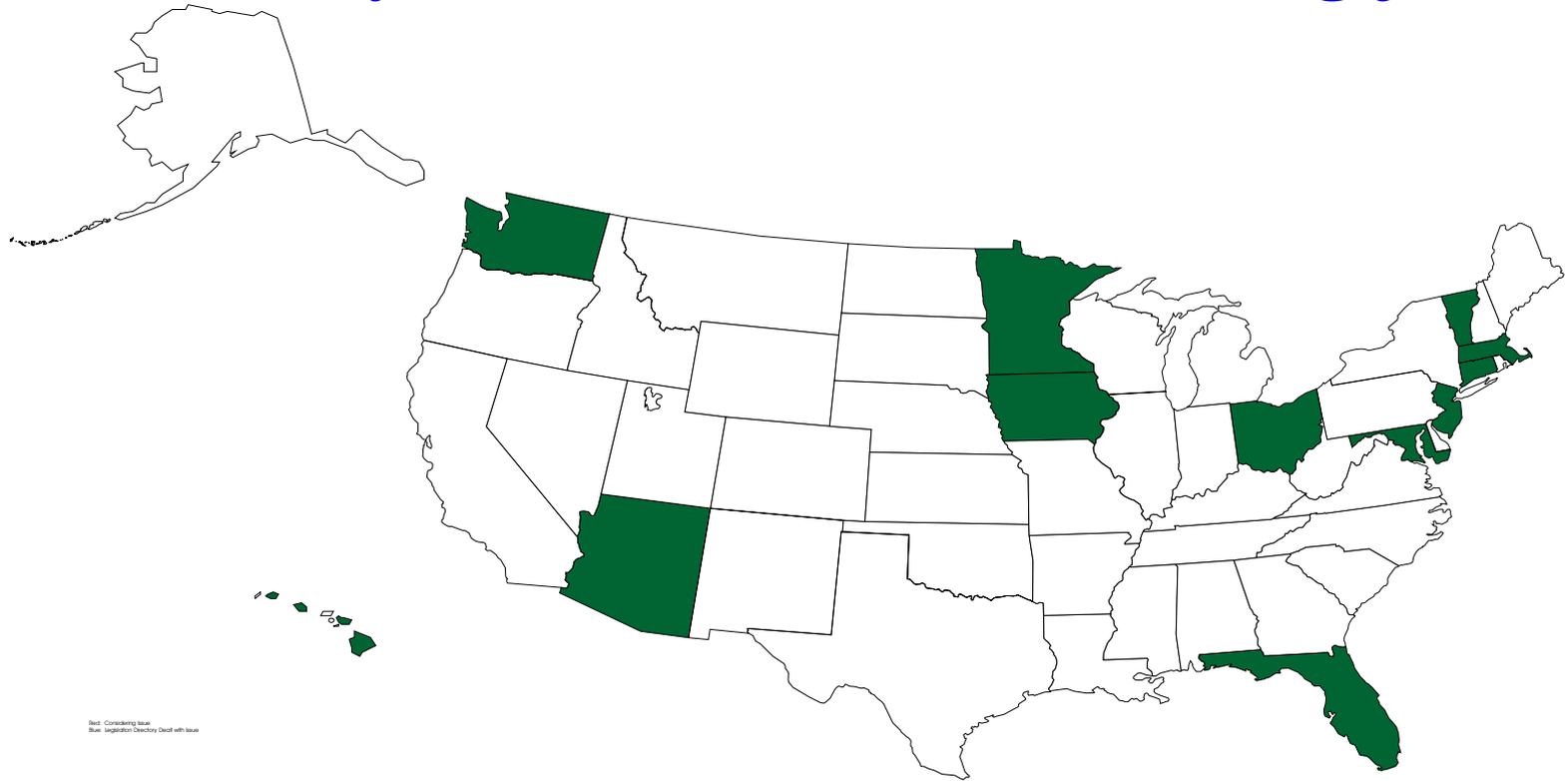


Incentives: Property Tax Incentives for Renewable Energy





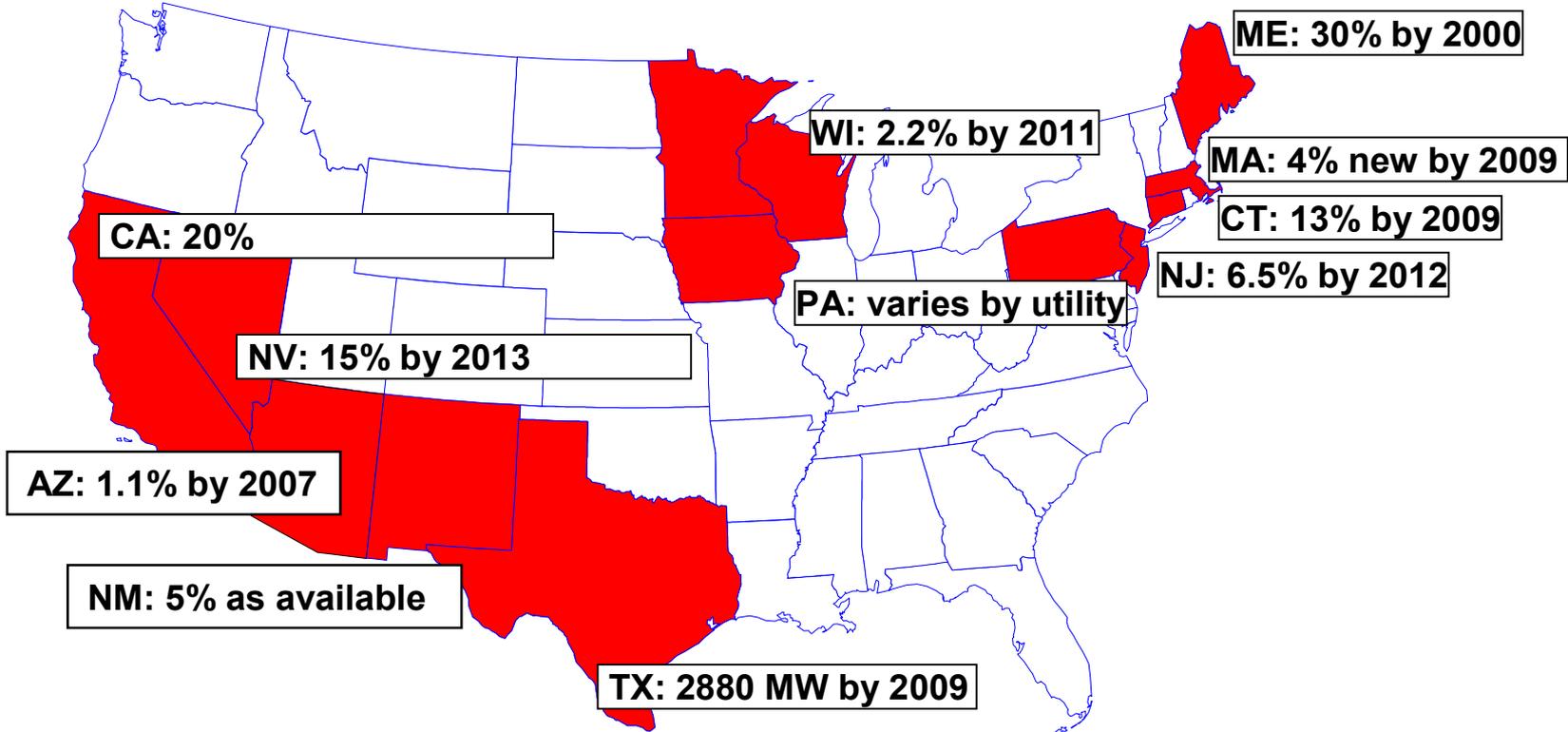
Incentives: Sales Tax Incentives for Renewable Energy



Dark: Considering Issue
Blue: Legislation/Executive Decree with Issue

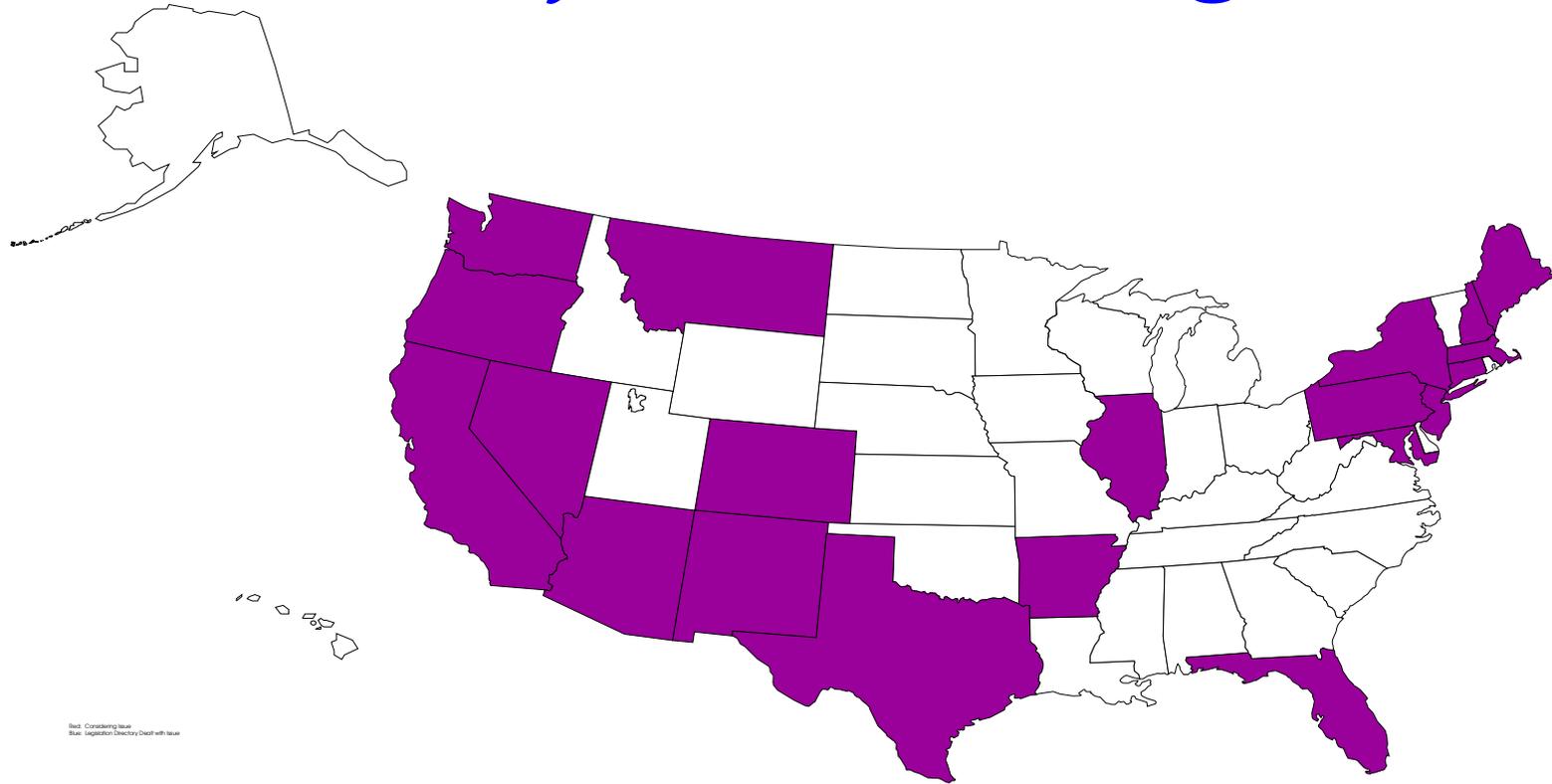


Mandates: Renewable Portfolio Standards





Market Enabler: Disclosure & Certification Programs



Red: Considering Issue
White: Legislation/Directory Dead with Issue





Savings for Most Residential Customers Are Small

A Typical Residential Customer's Bill:	\$70.00
40% of Typical Bill is For Power Delivery	<u>(\$28.00)</u>
Portion of Bill Subject to Competition	\$42.00

**Typical Savings Are From 2% to 10% 84 cents to \$4.20
savings per mo.**

**The Savings for Most Residential Customers Are Too Small to
Make Switching Highly Attractive.**





The Cost of Acquiring Customers Is High

- Studies suggest that the cost of acquiring a new customer is high: from \$40 to \$200.
- The New York Times says that the cost of acquiring a cell phone customer is about \$300 per customer.
- Yet margins on residential customers are low -- maybe one penny per kWh.





Massachusetts Customers Switching Providers As of 03/02

	Res	Small/Med C&I	Large C&I
% Switched	0.4%	4.2%	24.8%
% kWh Switched			38%





The New Models, or What's Next?

- It is possible to blend regulation and competition, to get some benefits of competition within a regulated market.
- For some customer classes, this blending may make sense.





Market Enabler: Choice of Product, Not of Provider

- A new policy and a new model to allow customers to buy renewable energy.
- Utilities offer a choice of products, like a storefront.
- Marketers sell their products through the utility storefront.
- Customers have no choice of provider, but do have choice of product.





Choice of Product, Not of Provider

- Oregon currently runs this program with a great deal of success.
- Massachusetts is experimenting with this approach, through aggregation.
- The Rhode Island House passed similar legislation.
- Montana is investigating the option.





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