

Guest Column: How to Slash Americans' Electricity Bills

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Whenever you hear about America's electricity system these days, it's usually some big problem that has captured the public's attention.

There are examples of energy companies operating inefficiently, such as ratepayers having to foot the bill for massive cost overruns at the Vogtle nuclear power plant in Georgia. Sometimes, as was the case in South Carolina, customers wind up paying higher rates to cover the costs of building generation resources that are never completed and generate no electricity. And we have seen outright corruption, such as the FirstEnergy scandal in Ohio that led to the largest criminal fines for bribery ever imposed by the local U.S. Attorney's office.

What do all of these examples have in common? They involve government-mandated electricity monopolies. Residents and businesses lose out when states rely on electricity monopolies, forced to endure higher prices, reduced investment in new infrastructure, and less reliable power.

When thinking about America's electricity future, we want a system that produces abundant and reliable energy supply to power our homes and businesses. We want to be able to keep the lights on at the most affordable price possible. And at a time when the country is increasingly concerned about global warming, we want to generate more "green energy" and lower emissions.

The key to making each of these priorities a reality is through electricity competition.

Right now, there is electricity competition at the wholesale level - or the source from which power companies acquire electricity supply to sell to local customers - for most of the country outside the Southeast, Southwest and Northwest. In addition, 13 states and the District of Columbia have retail competition, where individual customers can choose a power company that best meets their requirements, such as lower prices or more power being generated by green sources.

As I document in the new Pacific Research Institute study "Affordable and Reliable," if every state switched to a competitive electricity market, it would be a win-win for customers, the economy, and the environment.

The latest data shows that competition lowers prices for consumers. Prices in competitive wholesale markets were trending downward and were at or near 6-year lows in 2020. States with competitive retail markets saw prices drop 0.3% between 2008 and 2020 -- compared to a 20.7% price increase in monopoly states.

Competition also ensures that power interruptions are rarer and brief. Because competitive wholesale markets are regional and encompass a larger geographic area, they have more diverse energy generation options when supplies are tight. A key measurement found that the frequency of sustained power interruptions was 10.4% lower in competitive states compared to monopoly states.

As America transitions to a clean energy future, competition ensures that we will make additional progress in lowering emissions. Looking at the latest figures from between 2008 and 2018, state emission levels dropped on average 12.1% in competitive states, compared to 7.3% in monopoly states.

The research makes it clear - if we want to lower costs for consumers, make our economy more competitive for investment and job creation at a time of uncertainty, ensure that we have a reliable electricity supply to power our homes and businesses, and boost our progress in lowering emissions, then policymakers in states with government-mandated electricity monopolies should pass reforms establishing competitive electricity markets.

Dr. Wayne Winegarden is senior fellow in business and economics at the Pacific Research Institute, and author of the new study "Affordable and Reliable." Download a copy at www.pacificresearch.org.