



# TESTIMONY

February 28, 2024

## HOUSE BILL 2070: COMPETITION IN ELECTRICITY GENERATION

*By Avery Frank*

Testimony before the Missouri House Emerging Issues Committee

### TO THE HONORABLE MEMBERS OF THIS COMMITTEE

Thank you for the opportunity to testify. My name is Avery Frank. I am a policy analyst at the Show-Me Institute, a nonprofit, nonpartisan, Missouri-based think tank that advances sensible, well-researched, free-market solutions to state and local policy issues. The ideas presented here are my own and are offered in consideration of creating a system for choice and competition in retail electricity provision.

Coal plants are being decommissioned around the state and nation. Meanwhile, electric vehicles are capturing a larger share of the transportation market, and new energy technologies like small modular reactors (SMRs) are emerging.<sup>1</sup> Through all of this change, Missourians need reliable, clean, affordable electricity.

HB 2070 would allow market forces to help determine energy prices

and would allow energy consumers (industrial, commercial, and residential) to choose their own retail electricity supplier in a competitive market rather than only being able to purchase their electricity from one (monopoly utility) company. HB 2070 would not affect control over the transmission and distribution sector.

### AFFECTING PRICES WITH MARKET FORCES

HB 2070 would open the retail portion of the energy market to market competition. Customers would be able to choose from new, competing suppliers offering various rates and services. Each company could differentiate itself through enhanced customer service, usage of renewable energy, length of contract, and other factors.

In states with retail competition, customers have seen electricity prices decrease, as opposed to monopolized states, where prices have increased slightly in recent years. Using

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inflation-adjusted figures, “electricity prices in competitive states in 2020 were 17% lower than in 2008, whereas prices in monopolized states rose 2%.”<sup>2</sup> During this same time frame in Missouri, prices rose 17%. Additionally, all of the other 18 states that saw inflation-adjusted electric price increases during this time had monopolized retail distribution of electricity. None had retail competition.<sup>3</sup>

This trend has continued. Between November 2022 and 2023, Missouri’s average cost per kilowatt-hour in the residential sector rose by 6.8% while in Illinois (a neighbor with energy deregulation), costs decreased by 7.7%.<sup>4</sup> As energy markets around the country have been deregulated, prices have fallen from their highs in every state that allows retail competition. Missouri, which has seen prices increase in recent years, could reverse that trend by allowing retail competition to enter its energy sector.

## **PERSONALIZING YOUR ENERGY PLAN**

As mentioned, lower prices are not the only way in which customers can craft their energy plans. Prompt customer service or even a straightforward and convenient billing procedure might appeal to some consumers more than others. Another example would be customers who want a provider that uses energy from renewable sources. If a consumer wants to pay a premium in order to select a 100% renewable portfolio, they could do that—and through it, invest in renewable energy. Retail competition would allow Missouri customers to choose an energy provider based on price and other factors.

## **ADDRESSING TEXAS**

Opponents of electric competition often invoke Texas’s winter-storm blackouts in February of 2021 as an example of the failure of retail customer choice. However, these blackouts had nothing to do with the fact that Texans can choose their electricity suppliers.

During Texas’s 2021 winter storm, nearly half of the state’s peak winter generating capacity was rendered unusable for two days. Frozen gas wellhead equipment constrained fuel delivery, and power plants not adequately weatherized for record-cold temperatures failed to produce power. Because the gas-delivery system depends on electricity to function, the lack of power had a snowball effect, leading to wider

power outages.<sup>5</sup> Additionally, the regional electric grid that serves most of Texas (ERCOT) is not connected to the grids of other states, meaning importing electricity from other states was not an option.

None of these factors would have been different if Texans had not been able to choose their electric service providers. A simple comparison between the fully competitive and fully monopolized parts of Texas makes this point. A study from the Baker Institute at Rice University found that electric generation subject to competition outperformed monopolized generation during the storm.<sup>6</sup> Competitive areas experienced fewer outages as a percentage of total generating capacity than monopolized generation. The study concluded that “in general, the resource entities that remained fully regulated performed less well.”<sup>7</sup>

It does not matter if there is a competitive market or a monopoly in place if there is not enough energy to sell, and that is what occurred in Texas.<sup>8</sup>

In sum, what Texas experienced was a crisis in the generation of electricity compounded by the isolation of its regional electric grid. HB 2070 addresses neither generation nor distribution. In addition, Missouri is connected to regional grid networks including the Midcontinent Independent System Operator (MISO), the Southwest Power Pool (SPP), and Southeast, which would allow Missouri to import electricity from other states in the event of a crisis that affected local generation.<sup>9</sup>

## **A SAMPLE CONSUMER WEBSITE**

Texas is one example of over a dozen states that use retail electricity competition in the energy market.<sup>10</sup> In its user-friendly customer interface, Texas provides customer ratings (based on the ratio of complaints received to the number of customers), price, renewable portfolio percentage, contract length, payment plan specifics, and much more. The image on page 3 displays a sample search using Texas’s energy retail website.<sup>11</sup>

As the market continues to innovate, more consumer preferences could be incorporated. For example, preferences could be added if consumers want to make an investment in the nuclear energy sector or if they want to invest in new, innovative energy producers.

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1-10 OF 77 | SORT BY PRICE/kWh | VIEW 10 PER ...

COMPARE	Company	Plan Details	Price/kWh	Pricing Details	Ordering Info
<input type="checkbox"/>	<b>APG&amp;E</b> COMPANY RATING: ★★★★★ HISTORY: ⓘ	• TrueClassic 3 • Fixed Rate • 3 Months • 6% Renewable • NEW CUSTOMERS	1,000 kWh <b>10¢</b> 500 kWh 2000 kWh 10.4¢ 9.8¢	Cancellation Fee: \$150.00 Fact Sheet Terms of Service YRAC	Special Terms (877) 544-4857 OR SIGN UP
<input type="checkbox"/>	<b>Gexa</b> COMPANY RATING: ★★★★★ HISTORY: ⓘ	• Gexa Eco Choice 4 • Fixed Rate • 4 Months • 100% Renewable • NEW CUSTOMERS	1,000 kWh <b>10.1¢</b> 500 kWh 2000 kWh 10.6¢ 9.9¢	Cancellation Fee: \$150.00 Fact Sheet Terms of Service YRAC	Special Terms (866) 329-4392 OR SIGN UP
<input type="checkbox"/>	<b>rhythm</b> COMPANY RATING: ★★★★★ HISTORY: ⓘ	• Simply Choose 3 • Fixed Rate • 3 Months • 100% Renewable	1,000 kWh <b>10.2¢</b> 500 kWh 2000 kWh 10.7¢ 10¢	Cancellation Fee: \$20 / remaining month Fact Sheet Terms of Service YRAC	Special Terms (877) 649-0441 OR SIGN UP
<input type="checkbox"/>	<b>rhythm</b> COMPANY RATING: ★★★★★ HISTORY: ⓘ	• Power to Shift 3 • Fixed Rate • 3 Months • 100% Renewable • Time Of Use	1,000 kWh <b>10.3¢</b> 500 kWh 2000 kWh 10.7¢ 10.1¢	Cancellation Fee: \$20 / remaining month Fact Sheet Terms of Service YRAC	Special Terms (877) 649-0441 OR SIGN UP

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HB 2070 builds on our current foundation to make our energy sector better, by opening the door to market forces that could bring prices down and spur innovation.

## NOTES

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