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A. According to the IOUs themselves, brownouts are not more likely to occur as a result of deregulation.

Q. WHAT ARE THESE "STRANDED COSTS" I HAVE BEEN HEARING ABOUT IN THIS DEBATE?

A. Generally, "stranded costs" are those costs electric utilities are currently permitted to recover through rates approved by their public service commissions, but may not be recovered in a competitive market.

Q. IF I LIVE IN A RURAL AREA, WILL I BE LESS DESIRABLE TO SERVE AND THEREFORE MORE LIKELY TO PAY HIGHER RATES FOR ELECTRICITY?

A. It does not cost any more to produce electricity because of one's location. The increased costs of providing electricity are in the delivery of the electricity over the power lines, which will continue to be regulated and not subject to competition.

Q. I AM PRESENTLY SERVED BY AN ELECTRIC COOPERATIVE. WILL I BE ABLE TO SELECT A DIFFERENT SUPPLIER IN THE FUTURE?

A. It depends on whether our General Assembly includes electric cooperatives in their restructuring legislation. Legislation proposed in the House of Representatives exempts electric cooperatives and publicly owned utilities. Legislation proposed in the Senate includes all electric utilities.

Q. HOW WILL I BE ABLE TO COMPARE PRICES AND SERVICES?

A. Proposed legislation requires the PSC to

promulgate regulations which require all electricity suppliers, marketers, brokers, distribution companies and aggregators to provide adequate information to enable customers to make informed choices. It may be desirable for the PSC to publish a comparison guide showing the rates and services provided by each seller or reseller.

Q. CAN I BE SWITCHED TO ANOTHER SUPPLIER WITHOUT MY KNOWLEDGE OR CONSENT?

A. Proposed legislation requires the PSC to promulgate regulations to prevent this.

Q. WHAT HAPPENS IF I DO NOT SELECT A NEW SUPPLIER?

A. Under proposed legislation, the failure to select a supplier constitutes a request by that person to the PSC to select a provider under a PSC-approved default plan.

Q. WHEN WILL I BE ABLE TO SELECT A NEW SUPPLIER?

A. Legislation was introduced in the South Carolina General Assembly this year. Debate will likely continue through 1998. Deregulation will take time to implement. The earliest time we may be able to select a new supplier will probably be the year 2000.

Q. WHAT IS THE CONSUMER ADVOCATE'S POSITION ON ELECTRIC COMPETITION?

A. The Consumer Advocate supports competition provided everyone benefits from it, residential and small business consumers as well as industrial consumers. The Consumer Advocate believes a successful transition to a competitive market requires an involved and educated public.

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COMPETITION

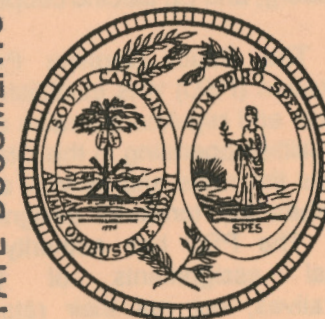
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ELECTRIC INDUSTRY

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ELECTRIC REGULATION IN SOUTH CAROLINA

Electricity service is composed of three distinct functions: generation (or production), transmission and distribution. It is provided by several types of public utilities: (1) investor owned utilities (IOUs), such as Carolina Power and Light Company, Duke Power Company and South Carolina Electric and Gas Company; (2) publicly owned utilities, such as the South Carolina Public Service Authority, also known as Santee Cooper, and municipalities, such as Orangeburg; and (3) electric cooperatives.

The South Carolina Public Service Commission (PSC) was established in 1910 to supervise and regulate the rates and service of public utilities operating in this State. The PSC regulates the rates and service standards and establishes the territorial assignments of the IOUs. The PSC has authority to establish territorial assignments of the electric cooperatives, but not their rates or service standards. The PSC has no authority over the municipalities which provide electricity service to the residents within their corporate limits.

COMPETITION IN ELECTRICITY GENERATION

Congress passed the Energy Act of 1992 which began a transition from a regulated electricity industry to a competitive electricity industry when it gave the Federal Energy Regulatory Commission (FERC) the authority to order utilities to open their transmission facilities to wholesale market participants. The transmission utility must "wheel" power from another utility or other generator to a wholesale customer who then resells that power to the end-user, the retail customer. In 1996, the FERC

promulgated its final rule promoting wholesale competition. It stated that the FERC's "goal is to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient, lower cost power to the Nation's electricity consumers."

In recent years the large industrial customers have become vocal about competition in the retail market. In some cases, industrial customers have urged cities to "municipalize," to directly provide the electricity needs instead of contracting with an IOU. Industrial customers are in a better position than residential customers to negotiate lower rates. They may be able to find alternative fuel sources to provide their needs. They may be able to produce their own electricity. One of the major considerations in the location of a plant may be the electric rates. Industrial customers have more favorable load characteristics than residential customers, which allows the electric utility to make better use of its generating plants.

A major contributor to the discussion of electricity competition is technological advances. In the past, generating plants were extremely costly and took a long time to build. Today we have available more efficient, less costly generating units which are constructed fairly quickly. Also, technology is helping reduce consumption through the use of more efficient appliances and by providing information to the consumer which allows him to more efficiently schedule his usage.

CONSUMER PROTECTION IN A COMPETITIVE ELECTRICITY MARKET

In order to have a successful transition to a deregulated generation market, direct retail access must not be limited to any particular

customer type, consumption patterns or geographic location. All customer classes must be able to benefit from competition. There must be certain requirements for electricity providers. A major concern is the obligation to serve. Under regulation, an electric utility must serve everyone in its territory. This is a consumer benefit of regulation which should be kept if the generation function of electricity is deregulated. Generators, marketers and aggregators should not be allowed to unfairly discriminate against consumers. If providers are allowed to consider a consumer's credit history and either deny service or set a deposit so high as to prevent that consumer's ability to obtain service, that consumer will get no comfort in being told he is free to obtain service elsewhere. Electricity is a necessity of life. There must be sufficient government oversight to guard against such barriers. Another concern is that providers be subject to licensing requirements which prevent fraud, spread the risk in the event of business failure, and assure that the provider is able to provide adequate and reliable service. Marketing guidelines should be in place which would prevent fraudulent and deceptive marketing practices.

FREQUENTLY ASKED QUESTIONS

Q. IF A STORM DAMAGES THE LINES, WHO WILL BE RESPONSIBLE FOR GETTING MY POWER RESTORED?

A. Your present utility will continue to provide delivery of electricity through its transmission and distribution lines. Those services will continue to be regulated. The transmission and distribution utility will be responsible for repairing its lines and restoring service.

Q. WILL I HAVE TO WORRY ABOUT BROWNOUTS UNDER DEREGULATION?