PENNSYLVANIA'S ELECTRICITY MARKET

When did Pennsylvania de-regulate its electricity markets…and what does that mean?

In 1996, the General Assembly passed Act 138, known as the Electricity Generation Customer Choice and Competition Act (Competition Act). This act provided for a transition to competitive markets in PA and permitted customers to choose their electric generation provider. The General Assembly charged the Public Utility Commission (PUC) to provide for a transition to a fully competitive market over 10-15 years and capped the cost of generation for ratepayers during the transition period. The last rate caps expired on December 31, 2010.

As a result, customers, who were once paying some of the highest prices for electricity, are now able to shop for their preferred generation, and the capital risk for constructing and operating new generation facilities has been shifted from utility ratepayers to the private sector. This has resulted in a competitive, streamlined and efficient electric generation market in the Commonwealth and saved consumers billions of dollars by avoiding the construction of uncompetitive electric generation facilities.

What are the benefits of electric competition for consumers like me?

Under Pennsylvania's Competition Act, consumers are able to choose their electric generation supplier. The benefits of this customer choice include options for fixed prices that may be less costly than your utility's default service, stable pricing that protects you from fluctuating market prices, and the opportunity to support a preferred type of generation of your choosing.

What is the PJM market?

Pennsylvania electric power generation facilities operate within PJM, a regional transmission organization that oversees the electric markets of all or parts of 13 states and the District of Columbia and stretches from New Jersey to Illinois.

PJM operates a capacity market which ensures the long-term reliability of the electric grid by providing for the sale of electric capacity three years into the future, based on anticipated consumer demand. As a result, consumers are assured of an affordable and reliable supply of electricity, while electric power generators that successfully compete in an annual capacity auction are assured of guaranteed revenue. PJM traditionally holds its annual capacity auction each May.

PJM also evaluates proposed electric transmission infrastructure projects to ensure that there is sufficient capacity and capability to move electricity throughout the market and meet anticipated demand.

Does Pennsylvania have a renewable energy standard?

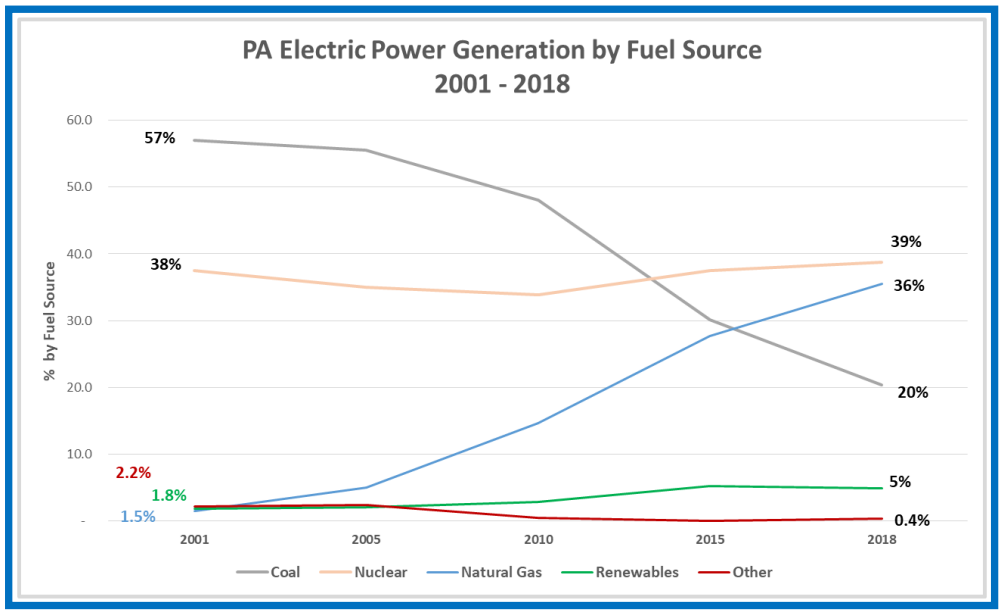
In 2004, the General Assembly passed Act 213, known as the Alternative Energy Portfolio Standards Act (AEPS). This act requires electricity suppliers and public utilities to purchase a certain percentage of electricity from alternative and renewable energy sources. Energy resources are categorized under the law as either 'Tier I' or 'Tier II'. The requirements laid out in the AEPS Act are phased in and ramp up over time, culminating in a requirement by 2021 to purchase 8% of electricity from Tier I resources and 10% from Tier II resources.

Tier I energy resources include solar photovoltaic and thermal, wind, small-scale hydro, geothermal, biofuels, coal mine methane and fuel cells. Tier II energy resources include waste coal, distributed generation, large-scale hydro, waste-to-energy, thermal energy and integrated gas combined cycle coal technology.

The added cost for public utilities to purchase alternative energy is reviewed on an annual basis by the PUC and passed on directly to ratepayers. According to the PUC, by 2021 the anticipated cost to ratepayers to comply with the AEPS mandates will grow to approximately $104 Million annually.

What are the primary sources of Pennsylvania's electric generation portfolio?

The increased availability of clean-burning natural gas, combined with the retirement of poorly performing electric generation facilities has led to a significant transition in Pennsylvania's electric generation portfolio over the past two decades. Indeed, more than $12.6 Billion in private capital investment in today's deregulated market has led to nearly twenty new or converted natural gas plants in Pennsylvania, bolstering grid reliability and ensuring a balanced mix of electric generation.



As a result, coal, natural gas and nuclear each generate a significant portion of Pennsylvania's electricity.

Where can I learn more?

To learn more about Pennsylvania's competitive electricity generation markets, please visit www.papowerswitch.com. This website, which is maintained by the PUC, provides information on shopping for electricity, including a list of licensed electric suppliers and current product offers.

You can also obtain information on your rights as a consumer and helpful tips on energy efficiency and conservation.