Residential Choice Programs for Natural Gas

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Barbara Mariner-Volpe,
Energy Information Administration (EIA)
Barbara.MarinerVolpe@eia.doe.gov
Residential Natural Gas Choice Programs: Topics

- Background and Current Status
- Trends/ Evolution
- Savings to Consumers?
- Issues
Average Natural Gas Retail Prices for Residential Customers Vary by Month

Source: EIA
Status of Natural Gas Residential Choice Programs by State as of December 2007

- Statewide unbundling - 100% eligibility: Active
- Statewide unbundling - 100% eligibility: Inactive/Limited programs
- Statewide unbundling - implementation phase: > 50 percent eligibility
- Pilot programs/partial unbundling
- No unbundling
- Pilot Program Discontinued

- U.S. Summary

- Choice considered, but no action taken
Residential Choice For Natural Gas Varies for Several Reasons

- States Act Independently of Each Other
- Political/Economic Objectives Differ
- Experience with Electricity Choice Programs
- Attractiveness to Energy Providers Varies from State to State
Georgia and Ohio Account For About 65% of U.S. Residential Choice Customers in 2007

<table>
<thead>
<tr>
<th>STATE</th>
<th>Residential Customers</th>
<th>Percent of Eligible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>1.6 million</td>
<td>100</td>
</tr>
<tr>
<td>Ohio</td>
<td>1.4 million</td>
<td>44</td>
</tr>
<tr>
<td>New York</td>
<td>0.5 million</td>
<td>11</td>
</tr>
<tr>
<td>Michigan</td>
<td>0.3 million</td>
<td>10</td>
</tr>
<tr>
<td>Illinois</td>
<td>0.2 million</td>
<td>9</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>0.2 million</td>
<td>6</td>
</tr>
<tr>
<td>Maryland</td>
<td>112,000</td>
<td>11</td>
</tr>
<tr>
<td>Nebraska</td>
<td>68,000</td>
<td>100</td>
</tr>
<tr>
<td>Indiana</td>
<td>63,000</td>
<td>42</td>
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<tr>
<td>TOTAL U.S.</td>
<td>4.6 million</td>
<td>13</td>
</tr>
</tbody>
</table>
Marketers Providing Service to Residential Natural Gas Customers in Dec. 2007

Source: Energy Information Administration
Pros and Cons of Residential Choice

**PROS:**
- Increases competition
- Potential for price savings and/or more stable prices
- Encourages new services
- Improves market signals
- Increases competitive pressure on local utilities
- Increases market transparency (itemizing service costs)
- Provides service options for customers

**CONS:**
- Concerns about:
  - supply reliability
  - price impact
  - marketer interest/practices
  - costs/benefits
  - Transparency
- Implementation issues (allocating pipeline capacity)
- Retail market may not be a “level playing field”
- Customer burden - time, hassle factor
Residential Customers in Choice Programs Increased in 2006 and 2007

Source: Energy Information Administration
Licensed and Active Marketers in the Residential Gas Market in the United States

Over half of active marketers in 2007 have been active since 2002

Source: Energy Information Administration
Participation Trends in Residential Choice Programs Vary by State

Georgia, Michigan, New York, and Ohio Participation Remains the Highest Despite Temporary Decreases

Maryland, New Jersey, and Pennsylvania Saw the Largest Declines Between 2001 and 2007

Illinois and Indiana Had the Largest Relative Increases Over the Years.
New York Residential Choice Customers Saved Money By Purchasing Gas From Marketers

Source: Energy Information Administration. * LDC price is the price charged by local distribution companies or local utilities.
New York Commercial Customers Saved Money by Purchasing Natural Gas from Marketers

Source: Energy Information Administration. *LDC price is the price charged by local distribution companies or local utilities.
Ohio Residential Choice Customers Saved Money
By Purchasing Gas From Marketers

Example of month when the marketer price is less than the LDC price.

Source: Energy Information Administration. * LDC price is the price charged by local distribution companies or local utilities.
Ohio Commercial Customers Saved Money by Purchasing Natural Gas from Marketers

Example of month when the marketer price is less than the LDC price.

Source: Energy Information Administration. * LDC price is the price charged by local distribution companies or local utilities.
Observations and Issues

- Recent increases in marketers and participation rates suggest opportunities for service providers and customers.
- Marketers and local distribution companies (LDCs) have expanded their service options.
- Residential choice has become complicated in some states:
  - many choices
  - increased need for transparency.
- State regulators are key information providers.
- Residential choice customers in several states, have saved money – but not every month.
- LDCs have responded to increased competition.
Recurring Publications:
Natural Gas Weekly Update, weekly
Natural Gas Year in Review 2007
Residential Choice Programs 2007
Annual Energy Outlook 2008, April 2008
Short-Term Energy Outlook, monthly

Special Reports:
U.S. Storage Drawdown Analysis Report
Impact of Higher Natural Gas Prices on Local Distribution Companies and Residential Customers, August 2007
Analysis of Price Volatility in Natural Gas Markets, August 2007
Natural Gas Marketer Prices and Sales to Residential and Commercial Customers, 2002-2005, June 2007

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