



Frequently Asked Question

Why Do Industrial Customers Need Retail Choice?

Retail choice allows large energy users an opportunity to buy electricity from suppliers other than their incumbent monopoly utility to better meet their power needs. Increased competition in utilities energy providers can significantly lower cost of doing business in South Carolina, which will attract new companies to the state bringing new investment and high paying jobs, allow current companies to continue to operate in the state and reinvest dollars into plants and the community, and **reduce power rates for all customers** by forcing utilities to compete.

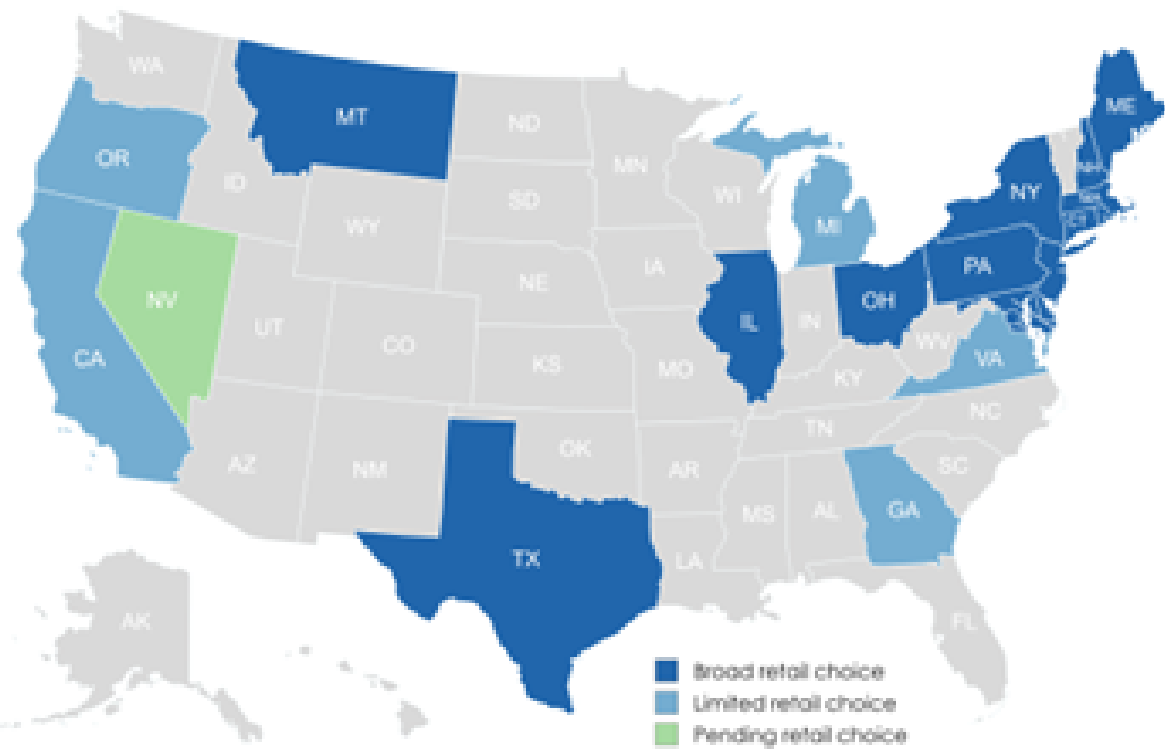
Simply put, retail choice invites free market solutions allowing large energy users to better manage their costs by choosing competitive options that make the most economic sense for their business, which will result in utilities themselves being more efficient and providing lower rates to all South Carolina's ratepayers, as it has in other states where retail choice has been adopted.

Is Retail Choice Always About Pricing?

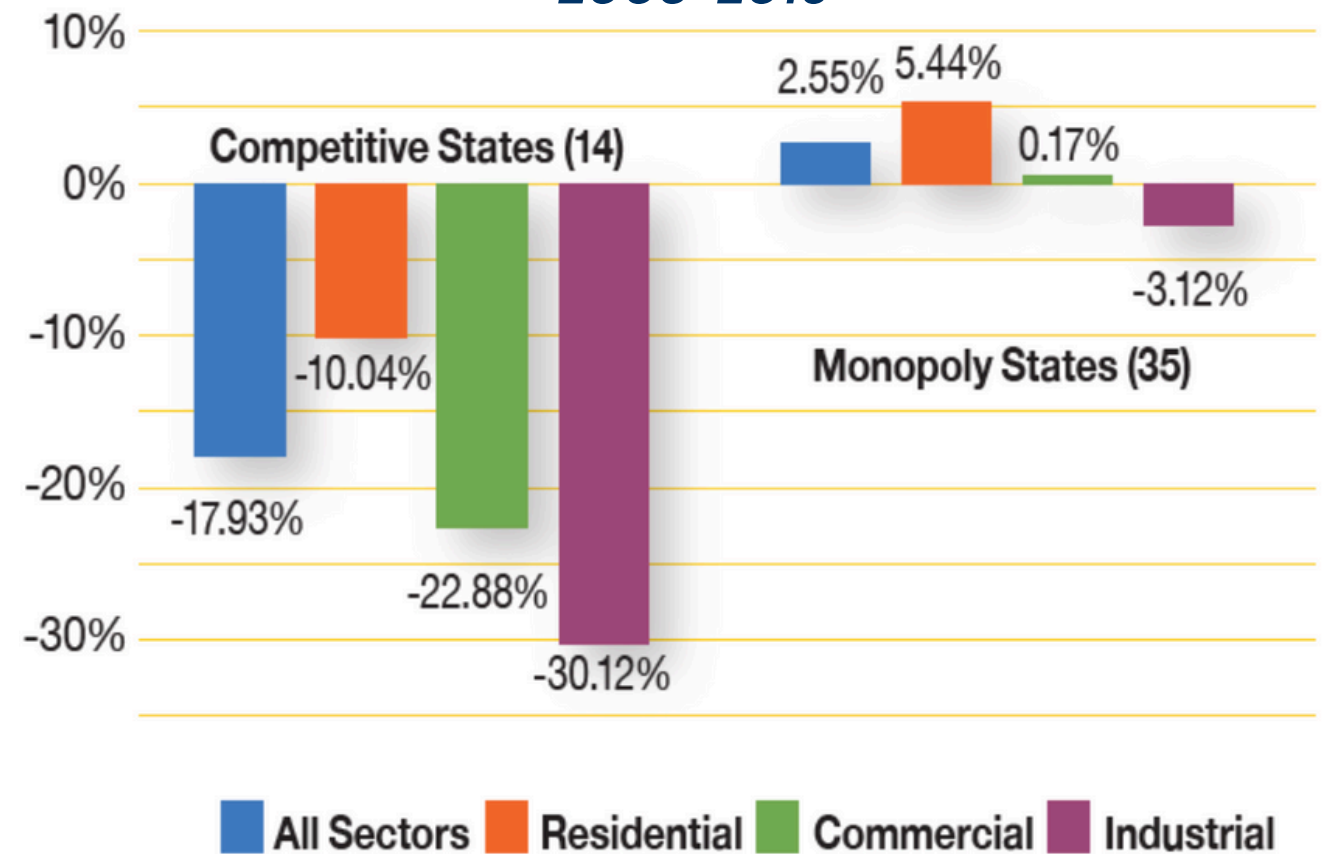
No. For example, South Carolina utilities only own a small percentage of renewable power plants in their overall portfolio. With retail choice, a large energy user may choose a supplier who owns more renewable power plants allowing it to meet renewable energy and/or sustainability goals. In other cases, large energy users may use retail choice to purchase from a supplier that builds behind-the-meter power plants, such as small modular nuclear plants or solar panels, which then provides power directly to the customer from their own property. In all cases, though, the competition helps keep electric prices low for all utility customers including those that stay with their assigned monopoly utility.

Is Retail Choice Common in the U.S.?

19 states across the U.S. offer some form of retail choice. As a matter of fact, retail choice has been successfully offered to a large manufacturer in the recent past by one of South Carolina's major utilities.



Inflation Adjusted Weighted Average Price Change by Rate Class, Retail Choice versus Monopoly States, 2008–2016



Doesn't Retail Choice Require a State to Adopt an RTO (Regional Transmission Organization) and Thus Won't Work in South Carolina?

No. There is no RTO in the southeast, but there are already utilities and independent power producers that sell power to other utilities at market prices. If retail choice is allowed, these same sellers could sell power to large energy users in South Carolina. Also, there are many solar project developers that would be eager to invest and build new power plants in South Carolina to sell directly to large energy users.

Isn't Retail Choice Failing in States Where It Is Allowed and Being Rescinded by State Lawmakers?

No state legislature has repealed retail choice after allowing it. In fact, in states where it has been adopted many large energy users have utilized it, which resulted in their power rates going down.

As outlined above, in states which have allowed retail choice, not only have rates gone down for large energy users, but rates for all customers have gone down as well.

Won't "Stranded Costs" Caused by Retail Choice Be Passed On to Residential Customers and Rescinded Businesses?

"Stranded costs" can occur when costs utilities incur to run power plants to serve current customers won't be paid by customers if they leave, and so these costs need to be paid by customers who remain. But that is not the case in South Carolina for two reasons. First, the utilities already have built into their rates/contracts with large energy users a requirement to pay a charge whether the customer operates or not (including if they leave the system).

Second, even if those contracts were not in place, there are no stranded costs with retail choice because no power plants are "stranded." Santee Cooper, Dominion SC, and Duke SC all don't have enough power plant capacity to provide power to all their customers today and for expected load growth, so they won't have a power plant sitting idle. Instead, all these utilities are planning to build new, more expensive power plants to serve the current and future customers. But that's the great news with retail choice. If large energy users get their power somewhere else, then that will free up existing power plants of the incumbent monopoly utility to avoid the costs and risks of building new expensive power plants (*we all remember VC Summer, right?*) that would be borne by other customers.

Even if a Customer Uses Retail Access, Doesn't the Incumbent Monopoly Utility Still Have an Obligation to Serve, i.e., to "Back-Up" the Third-Party Supply of Power to a Customer That Leaves in Case the Customer's Power Is Interrupted?

No. Utilities are **NOT** required under state law to build and have power plants available to meet the energy requirements of large energy users choosing to buy from another supplier. If that customer's new supplier fails to deliver the customer power, the incumbent monopoly utility can simply say no and not supply power, which is the same as they already do when they turn off power for their current interruptible customers, when necessary. In addition, in other states where there is retail choice, the customer and the monopoly utility often enter into a contract that specifically addresses this scenario and does so without creating any additional cost or risk for those customers remaining on the utility's system. This has already been done in South Carolina with an industrial customer and large utility.

That is the same under federal law. In Order No. 697, the Federal Energy Regulatory Commission (FERC) that governs utilities explained that utilities—such as Santee Cooper, Dominion SC and Duke SC—with responsibility as a "balancing authority" must maintain load/resource **balance** within its area. In simple terms, the utilities must balance the amount of power they create with the amount of power needed for their customers. But that balance can be achieved through either running power plants **OR** turning off power to customers, which is done all the time through "interruptible" rates offered by utilities now. That would not change with retail choice and would not create any additional risk or cost.

Isn't It True That South Carolina's Electric Utilities Do Not Have Adequate Transmission Space to Allow for Retail Choice?

No true. Although monopoly utilities have repeatedly made the claim that there is not enough transmission space to allow large energy users to bring in power from other utilities, they have simply never shown any evidence to support this claim. In fact, as independent expert Daymark found, "sufficient [capacity] exists to import power that may be needed to support [retail choice for large energy users] and overall system needs" in South Carolina.

But setting the experts aside, the monopoly utilities' claim just doesn't make common sense. If a large energy user is not buying power from their monopoly utility, then that utility won't need to use any transmission lines to bring in power from outside their system to supply that customer. It simply nets out.

ATC Imported Power Capability to Supplement IRP Capacity Needs

	Santee Cooper (SC)	Duke Energy Progress East (CPLE)	Duke Energy Carolinas (DUK)	Dominion Energy South Carolina (SCEG)
2024 Capacity Requirements Identified in IRP (MWs)	~6,500	~17,000	~22,000	~6,200
MWs of ATC Available for Imported Power (December 2023)	34,986	25,225	37,506	10,779
Median MWs of ATC Available for Imported Power (August 2023)	10,096	14,893	15,147	1,101

While utilities will rely primarily on owned-generation resources and PPAs to meet capacity planning needs identified in their IRPs, sufficient ATC capability exists to import power that may be needed to support LRC and overall system needs.

Doesn't South Carolina Need to Build More Power Plants Given the Growth in the State? How Does Retail Choice Address That Problem?

Retail choice actually **helps** utilities and their other customers by reducing the amount of new and more expensive power plants that the utility must build to meet the growing number of new customers. Utilities are "short" in South Carolina, meaning the amount of electricity being generated by the utilities' power plants in South Carolina is not keeping up with demand. Retail access takes demand off the utilities' system thereby reducing its need to build new expensive and risky power plants and thereby reducing costs to other customers. By allowing retail choice, every megawatt of power which goes "off" a utilities system is a megawatt which can be used elsewhere to meet demand on the system. This immediately saves the remaining customers from having to pay for costly and risky new power plants.

If a Customer Elects Retail Choice, Can It Return to Utility Service? What Rate Would It Pay?

After a period of retail choice, a customer wanting to return to their assigned utility would simply apply for service and follow the existing processes in place already at all utilities for signing up as a new customer with that utility.