



# NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE

*Competition must thrive if consumers are to benefit from energy and local telephone deregulation*

**C**ustomer choice, lower rates, and reliability are the bottom line for consumers when it comes to electric, gas and telecommunications deregulation.

However, in some states, legislators and regulators are approving rules that provide “quick fix” rate reductions, but allow the traditional monopoly utility to retain its market power and restrict the choices that consumers will have in the new utility marketplace. The proposed laws and regulations being discussed in these states may create competition without competitors, markets without marketers and customer choice without alternatives.

Some people argue that competition does not matter; that all utility customers want is an immediate rate reduction and reliable service. **The Ratepayer Advocate contends that utility restructuring must mean more to New Jersey consumers than a 5 to 10% “quick fix” rate decrease.** In fact, if we fail to provide a structure that encourages competitors to enter the New Jersey market, we will squander opportunities for lower rates, forego development of new technology, and inhibit the growth of a market that could create even greater savings for ratepayers.

Instead, we will have created deregulated monopolies, an astonishing hijacking of the concept of deregulation.

The Division of the Ratepayer Advocate, which represents all New Jersey utility consumers in proceedings to determine the competitive structure of each utility industry, contends that the State of New Jersey can achieve a balance that protects consumers and encourages competition without impairing the financial integrity of our utility companies. Barriers to entering New Jersey’s competitive market can be reduced and New Jersey’s consumers can reap the benefits of utility competition if three conditions exist:

- ***No one utility can have a dominant share of the market, and each utility must “unbundle” its services;***
- ***Incentives must be in place for marketers to provide service in New Jersey;***
- ***Customers must understand their choices, and be free to choose providers without great effort or cost.***

**“If we fail to provide a structure that encourages competitors to enter the New Jersey market, we will squander opportunities for lower rates, forego development of new technology, and inhibit the growth of a market that could create even greater savings,” said Ratepayer Advocate Blossom A. Peretz, Esq.**

The telephone, gas and electric utilities ... as well as the new marketers and competitors and the Ratepayer Advocate ... have filed reams of papers, briefs and attachments at the Board of Public Utilities in cases that will determine the shape of competition or lack of competition in New Jersey. Nonetheless, the basic principles that govern competition are straightforward.

In the recent telecommunications proceeding at the Board of Public Utilities on local competition in New Jersey, the Ratepayer Advocate called for Board action which we believe will provide proper incentives for market entry. First, the Board must reduce the prohibitively high cost set for wholesale prices competitive carriers must pay to purchase elements of Bell Atlantic-New Jersey's network that allow competitors to service their own customers. Second, the Board must ensure compliance by Bell Atlantic-New Jersey with quality performance standards to ensure access by competitors to its Operations Support Systems and establish stringent penalties in the event

that Bell Atlantic-New Jersey fails to provide such access on a nondiscriminatory basis. Finally, we asked the Board to set a firm deadline within which it must act to resolve disputes between Bell Atlantic-New Jersey and competitive carriers.

In the energy restructuring proceedings at the OAL and at the Board, and at hearings before the legislative committees, the Ratepayer Advocate has argued forcefully for mitigation of stranded costs, unbundling of rates and services, and has advocated that municipalities and/or counties should have the right to act as aggregators that can shop for energy services on behalf of their load and the energy load of customers in their areas. The Ratepayer Advocate believes that residential customers will see the greatest rate reductions and that suppliers of energy and phone services will only compete for New Jersey's residential customers if legislation encourages the formation of these municipal or county utility buying groups.

Only a vigorous competitive market structure will provide long-term opportunities for new entrants and the promise of increased choices, lower prices, and better service to the consumers of this State. The Ratepayer Advocate is dedicated to protecting the interests of all consumers and stakeholders and in the dual role of "Ratepayer Advocate" and "Competition Advocate" to insure that the promises of competition flow to benefit all consumers and the economy of the State of New Jersey.

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