Texas: The World’s Most Competitive Electricity Market

Bill Peacock
Texas Isn’t the Best at Everything

Total Title Insurance Costs by State
$300,000 Home w/ 5% Down

Texas: $2663

The Texas price is $703 more than the median price

More expensive than Texas

Less expensive than Texas
Electricity “Restructuring” Craze Sweeps the U.S.

• 23 States: Wholesale Competition with Transitional Retail Price Freeze
  • 1995: Texas authorizes wholesale electric competition
  • 1996: California passes Restructuring Act
  • 1999: Texas authorizes retail competition
  • 1999: Maryland and Ohio restructure electricity markets
  • 2001: Texas transition to retail competition begins
  • 2001: California “market” collapses; rolling blackouts
  • 2005: Ohio backs down from ending price freeze
  • 2006: Maryland backs down from ending price freeze
  • 2006: Texas adopts an energy-only market
  • 2007: Texas transition to retail competition final
Electricity “Restructuring” Craze Sweeps the U.S.

States With Restructuring Activity As of 2010

http://competitiveenergy.org/consumer-tools/state-by-state-links

Texas Public Policy Foundation
Only Texas Made it to Full Competition

• States froze retail prices and allowed wholesale competition – sort of
• Spike in natural gas prices killed retail price dereg
• Texas’ Price to Beat
• Three Types of Markets
  • Rate of Return Utilities
  • Capacity Markets
  • Energy-Only Market (Texas)
What Sets Texas (ERCOT) Apart

• Energy-Only Market: No government control of generation entry and exit
• No Direct Wholesale Price Regulation; prohibitions on market power abuse
• No Retail Price Regulation
• No FERC Regulation of Wholesale Market: FERC sets the rates and service standards for most bulk power transmission outside of ERCOT
## Choice Under Competition

<table>
<thead>
<tr>
<th>TDU Service Territory</th>
<th>Residential Suppliers</th>
<th>Number of Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEP Central</td>
<td>52</td>
<td>355</td>
</tr>
<tr>
<td>AEP North</td>
<td>49</td>
<td>295</td>
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<tr>
<td>CenterPoint</td>
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<td>400</td>
</tr>
<tr>
<td>Oncor</td>
<td>55</td>
<td>390</td>
</tr>
<tr>
<td>Sharyland – McAllen</td>
<td>14</td>
<td>103</td>
</tr>
<tr>
<td>Sharyland Utilities</td>
<td>22</td>
<td>155</td>
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<tr>
<td>TNMP</td>
<td>49</td>
<td>320</td>
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Prices Under Competition

<table>
<thead>
<tr>
<th>TDU Service Territory</th>
<th>Last Regulated Rate (2001, c/kWh)</th>
<th>Last Regulated Rate, Adjusted for Inflation</th>
<th>Current Lowest Fixed Price</th>
<th>Percentage Change</th>
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</thead>
<tbody>
<tr>
<td>AEP Central</td>
<td>9.6</td>
<td>13.1</td>
<td>5.6</td>
<td>-57.25%</td>
</tr>
<tr>
<td>AEP North</td>
<td>10.0</td>
<td>13.6</td>
<td>5.0</td>
<td>-63.24%</td>
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<tr>
<td>CenterPoint</td>
<td>10.4</td>
<td>14.1</td>
<td>5.4</td>
<td>-61.7%</td>
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<tr>
<td>Oncor</td>
<td>9.7</td>
<td>13.2</td>
<td>4.5</td>
<td>-65.91%</td>
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<tr>
<td>TNMP</td>
<td>10.6</td>
<td>14.4</td>
<td>5.0</td>
<td>-65.28%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>TDU Service Territory</th>
<th>Current Lowest Fixed Price (c/kWh)</th>
<th>Current Average, All Available Plans</th>
<th>Nationwide Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEP Central</td>
<td>5.6</td>
<td>9.4</td>
<td>13.45</td>
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<tr>
<td>AEP North</td>
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<tr>
<td>Oncor</td>
<td>4.5</td>
<td>8.3</td>
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<td>Sharyland – McAllen</td>
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<td>9.8</td>
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<td>Sharyland Utilities</td>
<td>4.5</td>
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<tr>
<td>TNMP</td>
<td>5.0</td>
<td>9.2</td>
<td></td>
</tr>
</tbody>
</table>
Reliability Under Competition

- **Reserves**
  - 0%
  - 5%
  - 10%
  - 15%
  - 20%

- **Prices**
  - 0.02
  - 0.04
  - 0.06
  - 0.08
  - 0.1
  - 0.12
  - 0.14
  - 0.16
Biggest Challenges: Renewable Energy

Renewable Portfolio Standard Policies

28 states, Washington DC, and two US territories have a renewable portfolio standard. Eight states and two territories have renewable portfolio goals.

- Renewable portfolio standard
- Renewable portfolio goal
- Extra credit for solar or customer-sited renewables
- Includes non-renewable alternative resources
Biggest Challenges: Crony Capitalism

Is This Our Future?

Electricity is essential to our everyday lives, and our growing economy. Did you know Texas is on course for a power reliability crisis, with the potential for regular rolling blackouts in just a few short years? With low temperatures earlier this week, we...
Biggest Challenges: Federal Regulation

EPA United States Environmental Protection Agency

FERC Federal Energy Regulatory Commission

U.S. DEPARTMENT OF ENERGY
Biggest Challenges: State Regulation and Transition

- Regulatory Inertia
- Regulatory Capture
- Consumer “Protection”
- Wholesale and Retail Price Regulation
- Stranded Costs
- State Cooperation
Keys to Reliable & Affordable Electricity

• Increase Competition in Electricity Markets: Texas Shows that Electricity Markets Work
• Move Away from ROR and Capacity Markets to an Energy-only Market
• Deregulate Wholesale and Retail Prices
• Eliminate Subsidies for Renewable Energy and Energy Efficiency
• Move to State or Regional Management of Electricity Markets