

Texas: The World's Most Competitive Electricity Market

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THE HERITAGE FOUNDATION



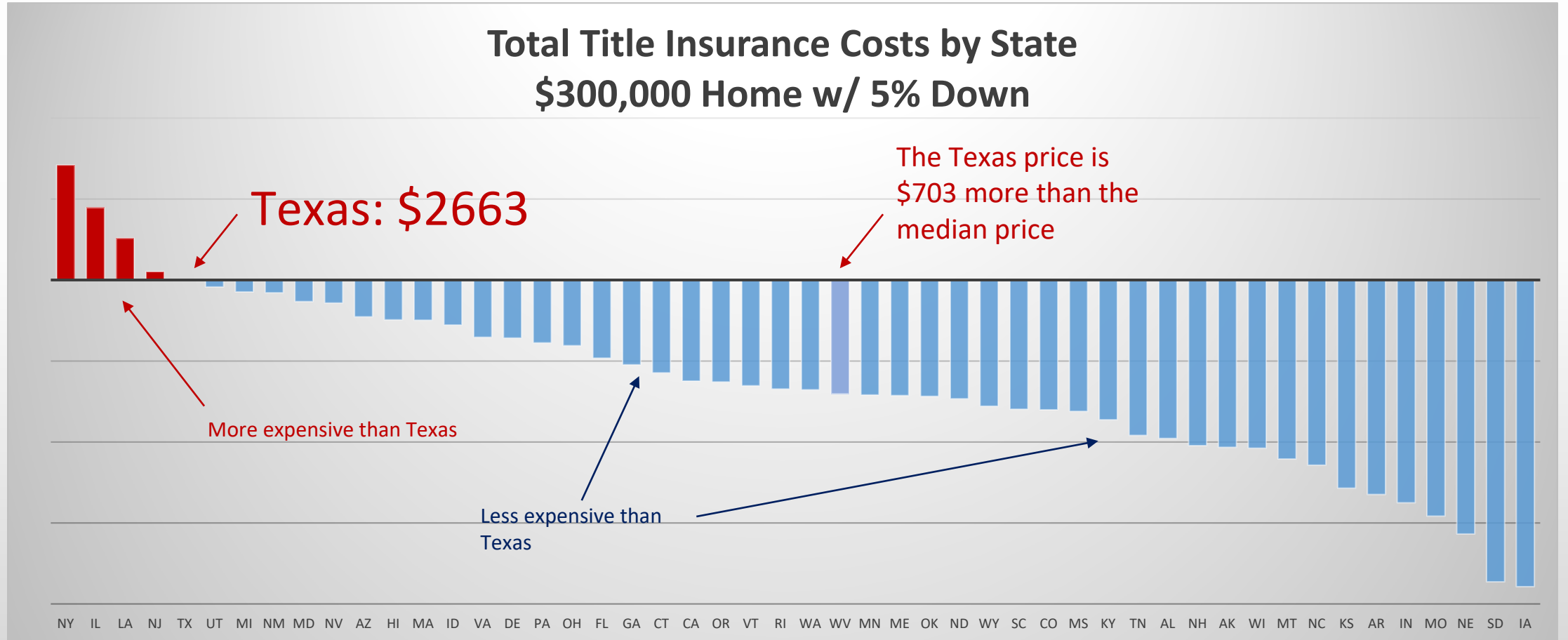
RESOURCE BANK

2018



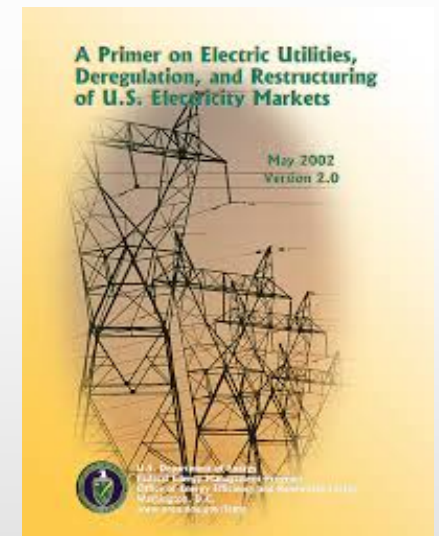
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Texas Isn't the Best at Everything



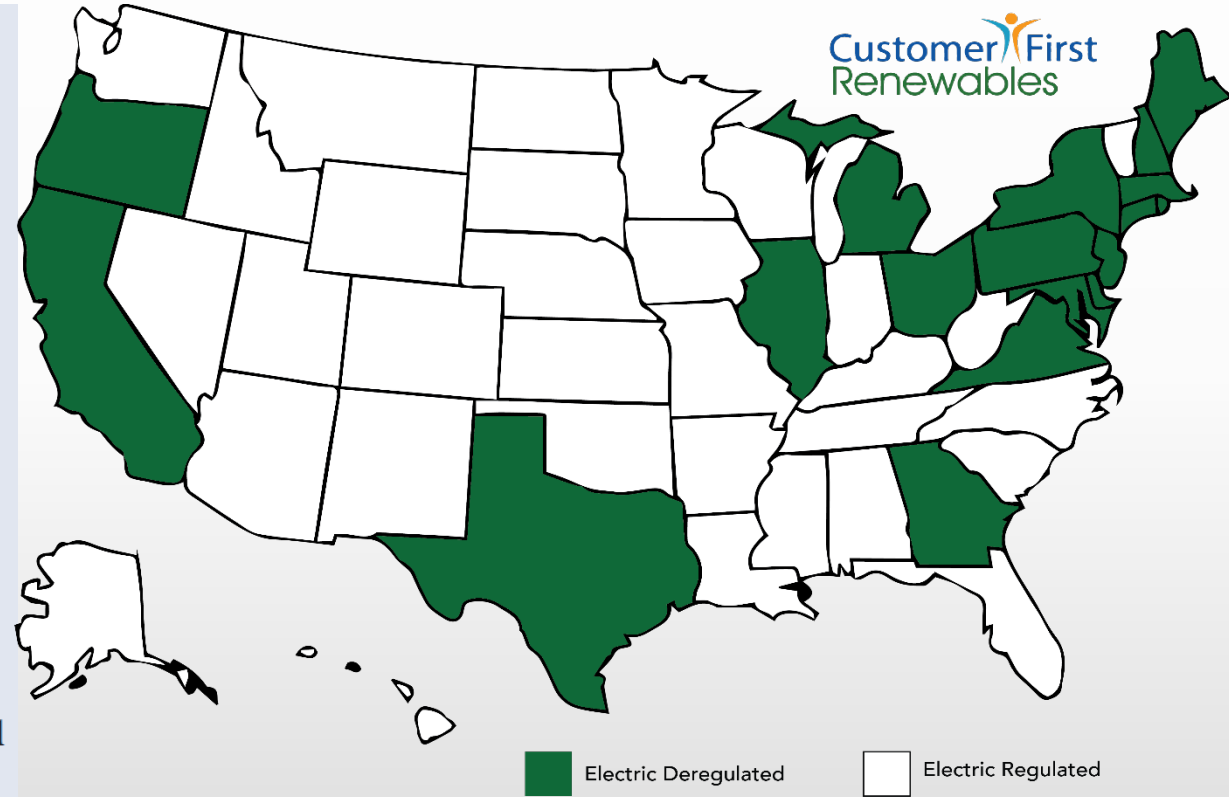
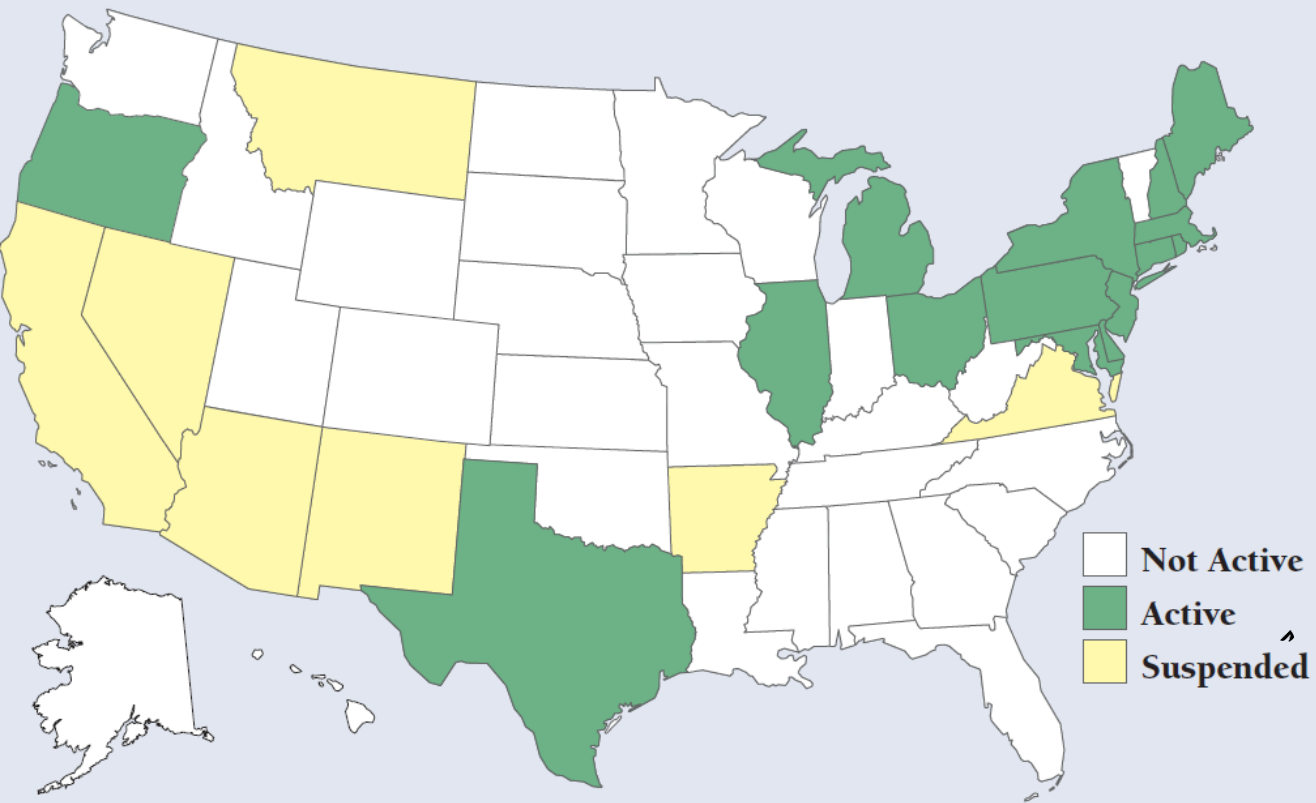
Electricity “Restructuring” Craze Sweeps the U.S.

- 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

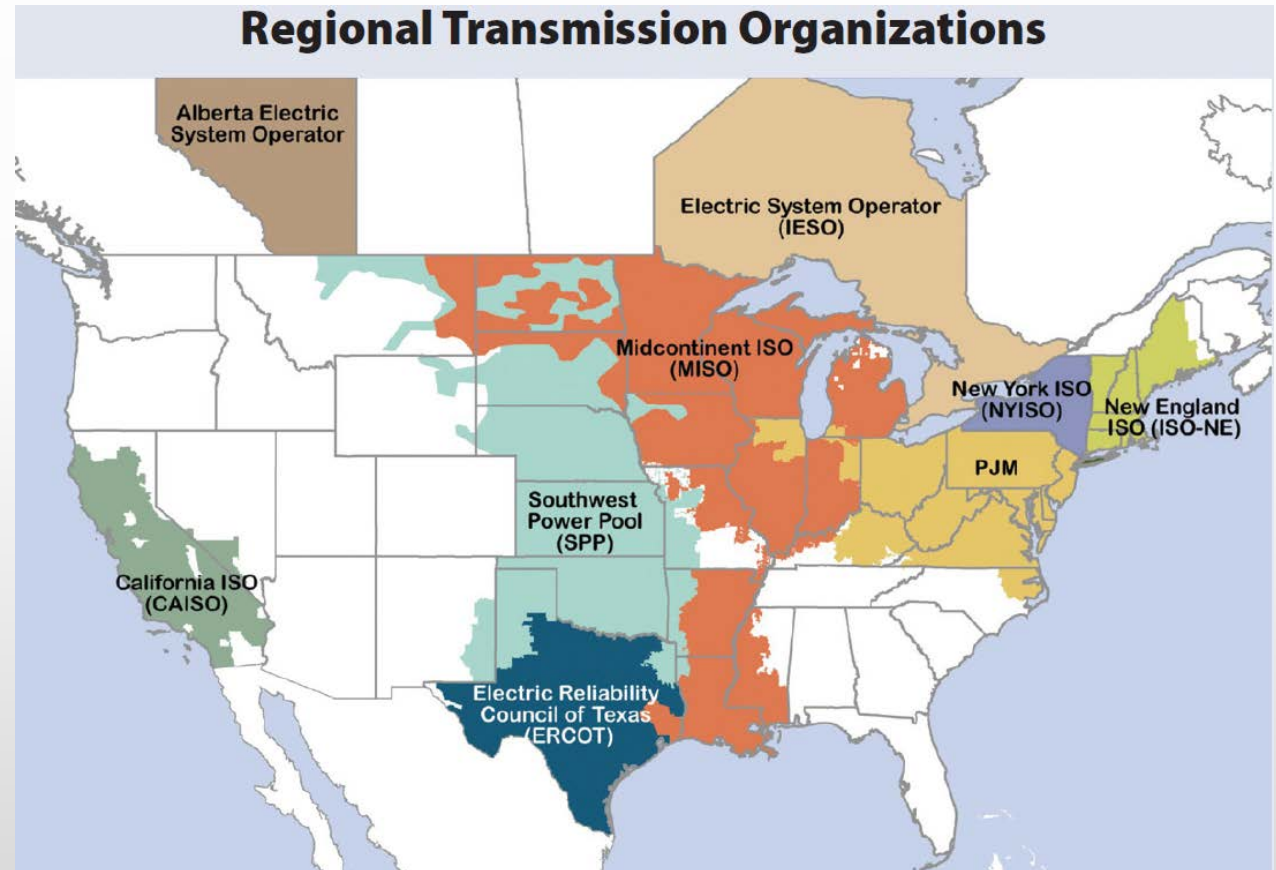


Customer First
Renewables

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

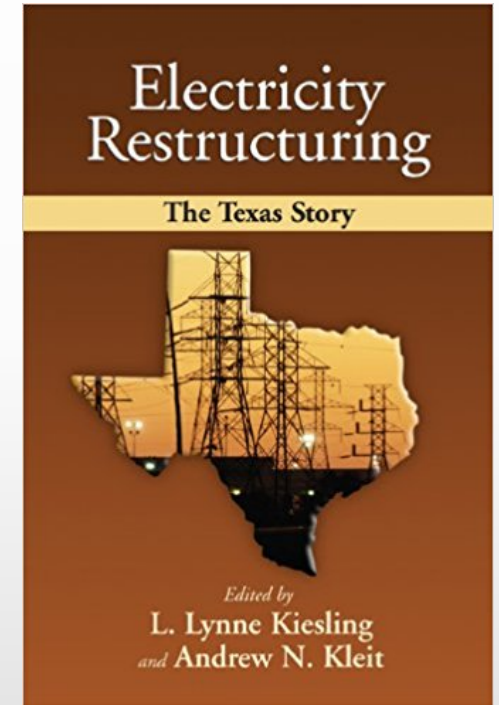
Only Texas Made it to Full Competition

- 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)



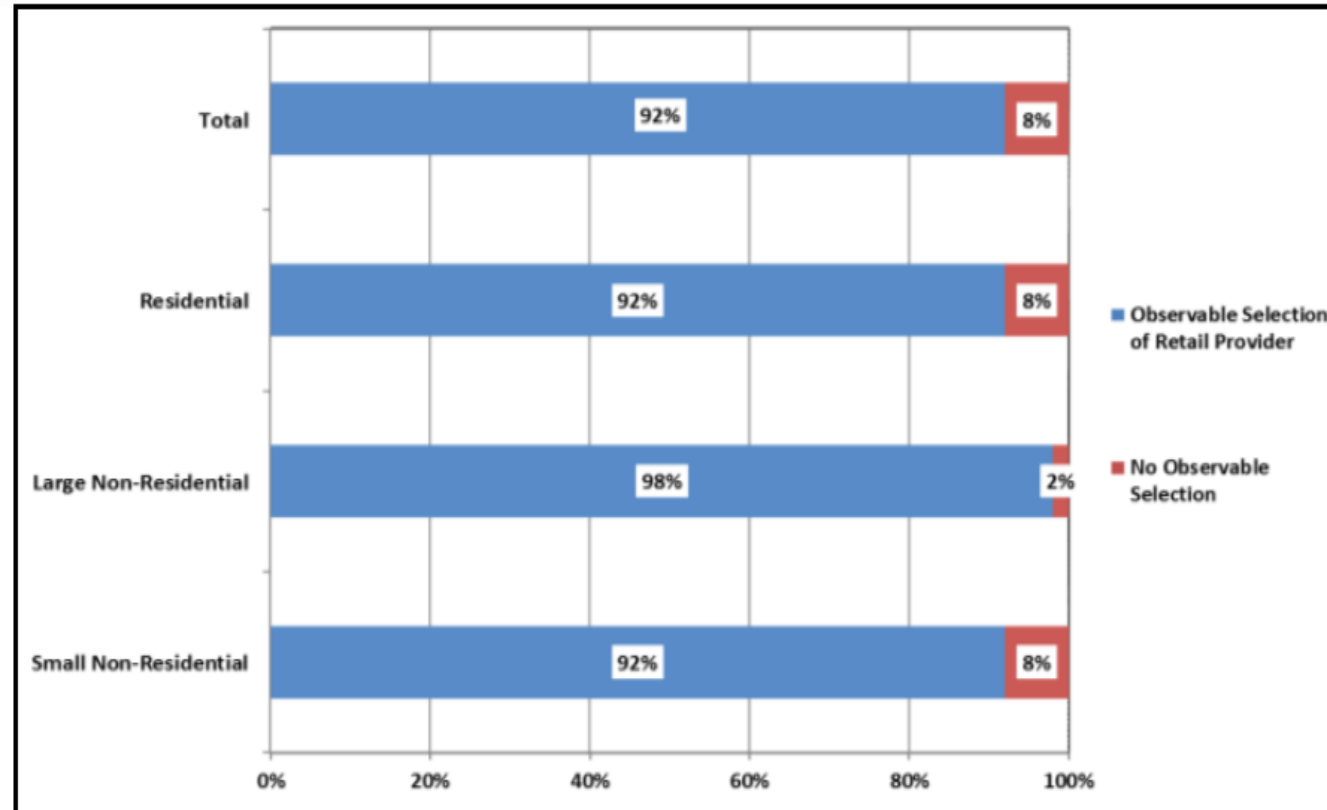
What Sets Texas (ERCOT) Apart

- 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



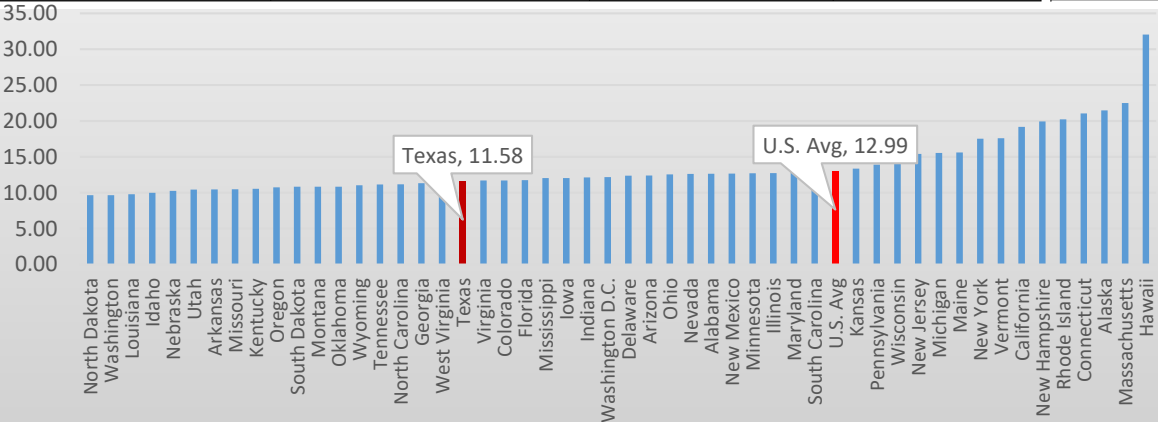
Choice Under Competition

TDU Service Territory ³	Residential Suppliers	Number of Products
AEP Central	52	355
AEP North	49	295
CenterPoint	55	400
Oncor	55	390
Sharyland – McAllen	14	103
Sharyland Utilities	22	155
TNMP	49	320

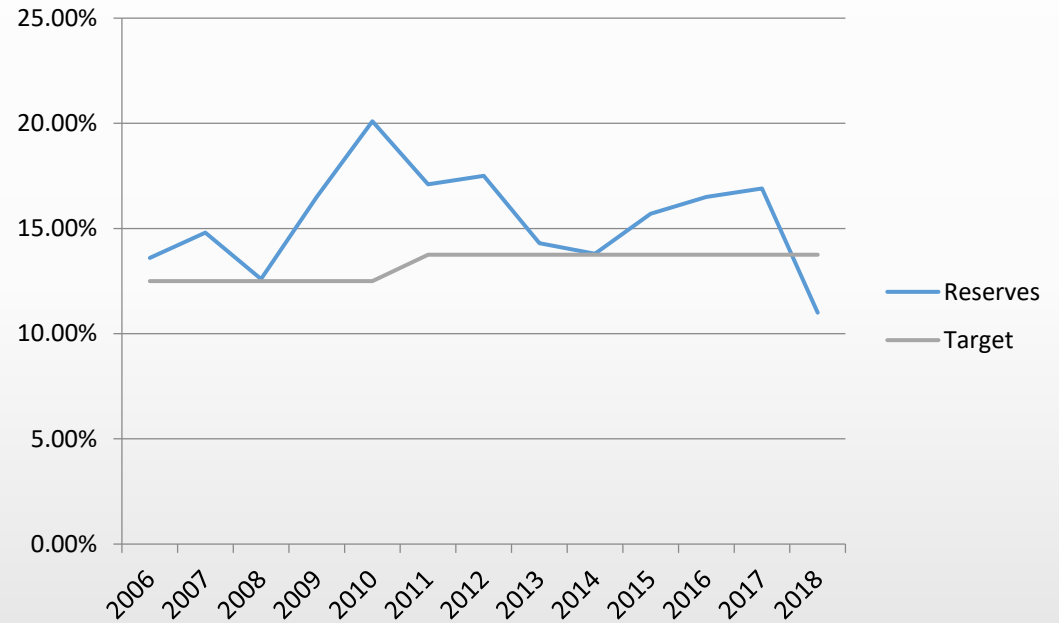
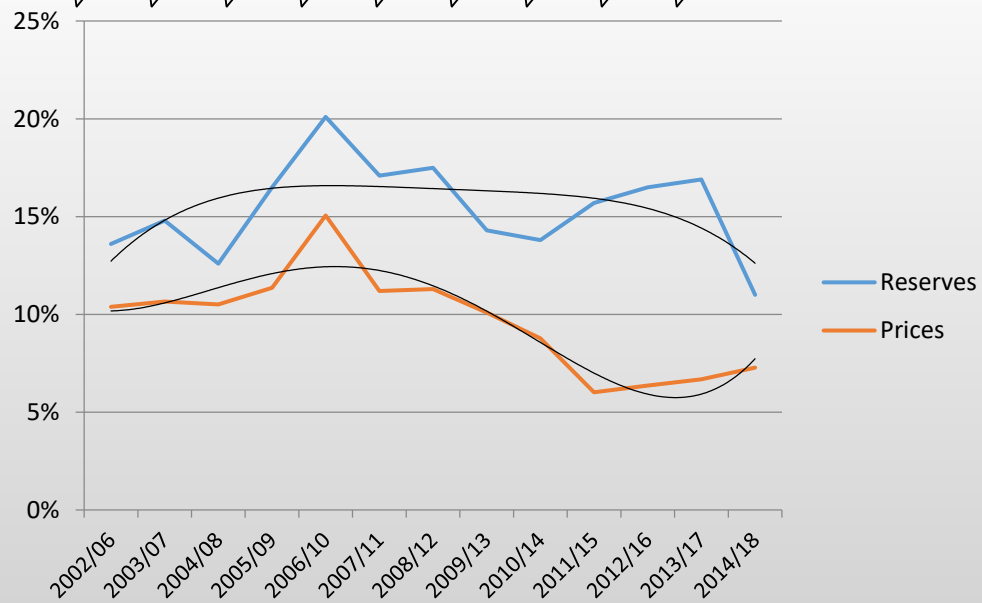
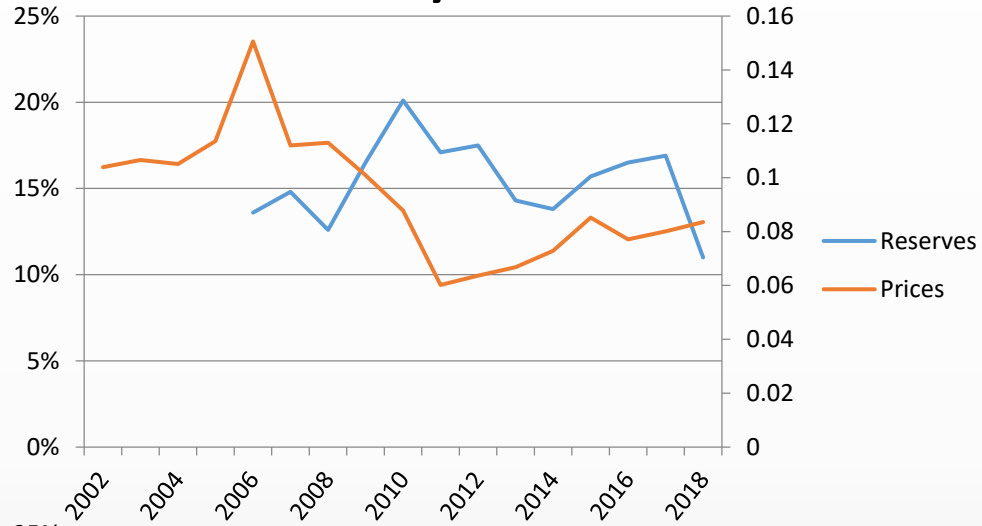


Prices Under Competition

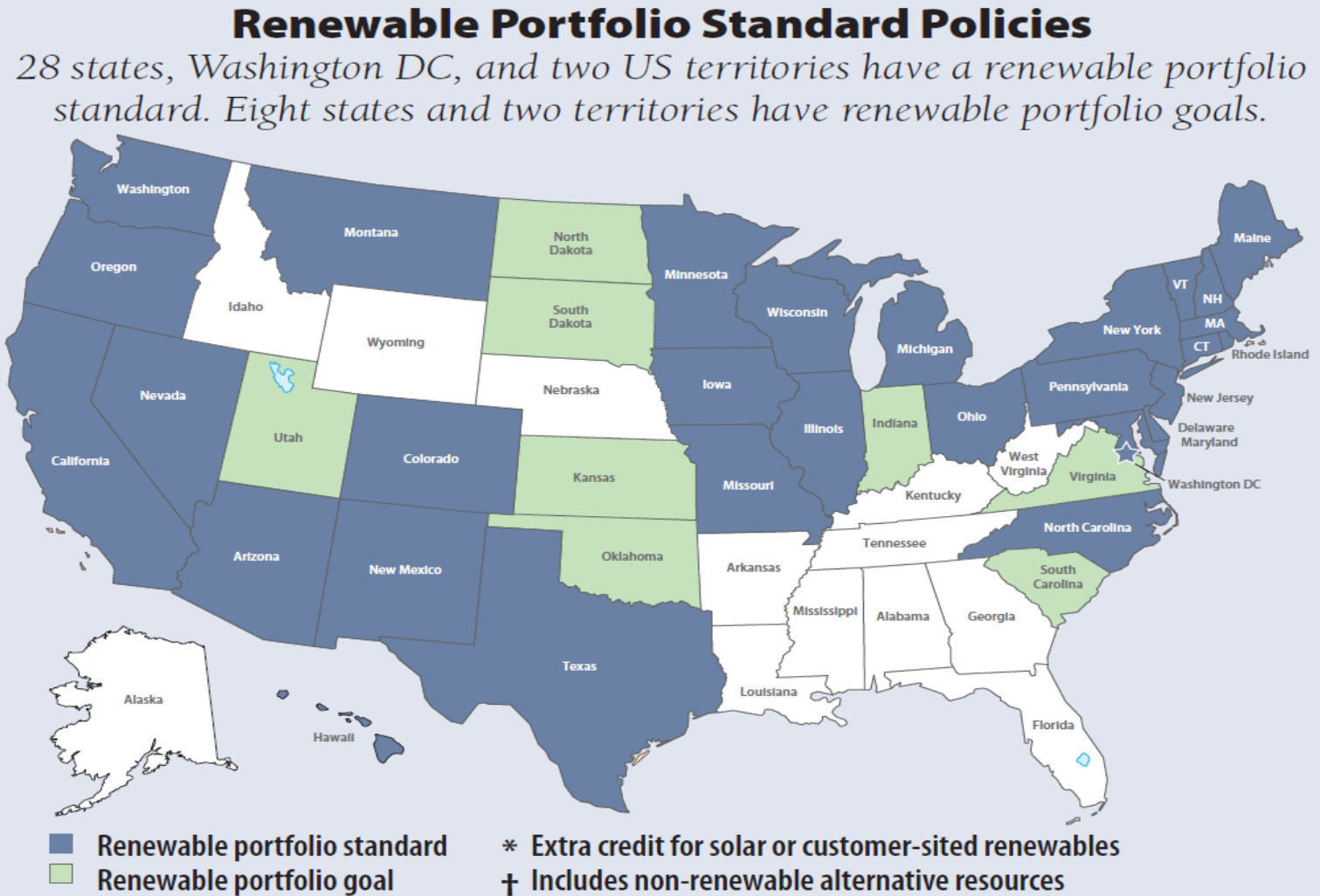
TDU Service Territory ⁶	Last Regulated Rate (2001), ¢/kWh ⁷	Last Regulated Rate, Adjusted for Inflation	Current Lowest Fixed Price ⁸	Percentage Change	TDU Service Territory	Current Lowest Fixed Price (¢/kWh) ¹¹	Current Average, All Available Plans ¹²	Nationwide Average ¹³
AEP Central	9.6	13.1	5.6	-57.25%	AEP Central	5.6	9.4	13.45
AEP North	10.0	13.6	5.0	-63.24%	AEP North	5.0	9.4	
CenterPoint	10.4	14.1	5.4	-61.7%	CenterPoint	5.4	9.1	
Oncor	9.7	13.2	4.5	-65.91%	Oncor	4.5	8.3	
TNMP	10.6	14.4	5.0	-65.28%	Sharyland – McAllen	5.6	9.8	
					Sharyland Utilities	4.5	13.3	
					TNMP	5.0	9.2	



Reliability Under Competition



Biggest Challenges: Renewable Energy



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



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

