

Home > Business

BUSINESS

RSS Mobile Newsletters

Quick links: [How to set up your stock portfolio](#)

Study tallies cost of deregulation: more than \$11 billion in higher residential rates

Posted Monday, Feb. 14, 2011 [Print](#) [Share](#) [Reprints](#) [11 Comments](#)

Tags: [Electric Reliability Council of Texas](#)

ARTICLE PHOTOS (1) COMMENTS

BY JACK Z. SMITH
jzsmith@star-telegram.com

A report released Monday concludes that electric deregulation has cost Texas residential consumers more than \$11 billion in higher rates and that the operator of the state's major power grid, the Electric Reliability Council of Texas, has been poorly managed and industry-dominated.

The 101-page report, "The Story of ERCOT," is the result of a research project of the Steering Committee of Cities Served by Oncor and the Texas Coalition for Affordable Power, which works with 158 cities and other governmental entities to buy electricity in bulk.

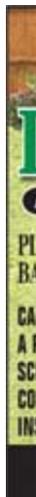
Deregulation, it said, has resulted in higher rates for Texas power consumers rather than the lower rates forecast by lawmakers who passed the state law in 1999.

Before deregulation, Texas had cheaper rates than most states. Between 1999 and the first six months of 2010, however, Texas residential consumers "suffered greater increases [in electric rates] than residents in all but six other states," the report said.



[View photos](#)

Have more to add?
News tip? [Tell us](#)



Co
N
Ar
ru

"Had electric prices remained at the national average -- not below it, just at it -- Texas residential consumers would have saved more than \$11 billion since the implementation of deregulation," the report said, citing data compiled by the U.S. Energy Information Administration.

The entire deregulated Texas market, commercial, industrial and residential, "would have saved \$15.5 billion had prices remained at the national average," the report said.

However, the latest EIA data, for November, shows that Texas' average residential electric rate was 11.37 cents per kilowatt-hour, below the national average of 11.7 cents.

In addition, Texas' average commercial and industrial rates for November were 8.85 cents and 5.91 cents per kwh, respectively, easily below the national averages of 10.07 and 6.59 cents.

The average prices the EIA cited for Texas are a mix of deregulated and regulated rates.

John Fainter, CEO of the Association of Electric Companies of Texas, said the state's deregulated electricity market now offers many residential rate plans at prices well below the state's average rate.

The website overseen by the Texas Public Utility Commission, www.powertochoose.org, lists several one-year fixed residential rates of 8 to 9 cents per kwh, which are competitive with, or below, rates charged by some electric providers in the regulated market, which includes municipally owned power companies and rural electric cooperatives.

ERCOT declined to comment Monday on the report's assertions regarding consumer prices and the impact of deregulation since the agency does not have "policymaking authority" in those areas. In response to the report's contention that it has been poorly managed, ERCOT said it "welcomes any and all input that will assist us in improving the organization."

ERCOT said the highly critical report "simply repeats issues which were already addressed by the Texas Sunset Commission during the summer of 2010."

"These are expected to be acted upon by the Texas Legislature during their current session, and ERCOT stands ready to institute any and all changes the Legislature adopts," the agency said.

Tom "Smitty" Smith, Texas director of Public Citizen, said the consumer and environmental organization generally agrees with the report's conclusions.

"ERCOT has for too long been run for, by and of the power companies," he said.

There needs to be a thorough review of ERCOT during the legislative session, Smith said. The composition of ERCOT's board "needs to be inverted, so it's controlled by citizens as opposed to corporations with economic interests," he said.

Fainter, while defending deregulation, said the report is on target in criticizing ERCOT about overruns of several hundred million dollars for implementation of its nodal system. The system is designed to improve the flow of power across transmission lines, reducing congestion and lowering prices.

The implementation and costs unquestionably were "poorly managed," Fainter said. He said, however, that the nodal market has functioned "very well" since its Dec. 1 startup and should save consumers money.

Online: www.tcaptx.com

www.powertochoose.org

Jack Z. Smith, 817-390-7724

[Looking for comments?](#)

[Refinance at 2.9%](#)

\$160,000 Mortgage
\$434/mo. Free. No
Obligation. Get a Quote
-3.1% APR!
RefinanceMortgage

[Obama's Mortgage
Modify](#)

Do You Qualify? Find
Instantly. 9 Million
Homeowners Can
Benefit.
www.Save-My-Home.org

[Currency Trading](#)

Free \$50,000 practice
account with charts,
news, research &
analysis
www.Forex.com

Ads by Yahoo!

[TERMS OF SERVICE](#) [PRIVACY POLICY](#) [ABOUT OUR ADS](#) [COPYRIGHT](#) [CONTACT US](#) [REPORT A PROBLEM](#) [ADVERTISE](#)
[ARLINGTON CITIZEN-JOURNAL](#) [COLLEYVILLE COURIER](#) [GRAPEVINE COURIER](#) [KELLER CITIZEN](#) [MANSFIELD NEWS](#)
[REGISTER](#) [WEATHERFORD TELEGRAM](#)

Star-Telegram