

McCullough skeptical of Texas market's validity

For Robert McCullough, the Portland, Ore, energy consultant, competition has been a rocky road in Texas.

He shares doubts about the methodology used in reports that attribute higher Texas power prices to competition (RT, 3/21) but he reminds us of the bumps in wholesale trading there.

He's quick to remind us of the manipulation in February 2003 (RT, 3/11/03) and the continued use -- via ERCOT loopholes and confidential bids -- of hockey-stick bidding that may be around until nodal bidding starts.

Hockey-stick bidding refers to submitting a small portion of available generation in hopes of boosting the market-clearing price.

The practice had driven bids up to \$990.01 by exploiting a flaw in ERCOT's computer algorithm, McCullough explained (RT, 12/19/03).

It was patterned after Enron's Project Stanley market scheme in Alberta, he added.

The victims have been marketers and their customers, he stressed.

Texas Commercial Energy (TCE) has blamed the practice for forcing it out of the

retail market as TCE was caught out by the high spot prices.

McCullough thinks anyone reviewing the real-time spot market in Texas will "quickly deduce" that prices are "surprisingly" high, he argued -- even with today's gas prices for fuel.

As always, the problem is not competition, McCullough insisted. He calls the flaw Texas' opaque, bureaucratic approximation of markets.

Competition can suffer, he argued, where bids and bidders are secret, computer programs setting prices are confidential and few generators compete.