



FOR IMMEDIATE RELEASE
May 5, 2009

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AARP calls on Legislature to lower electric rates through greater transparency

\$1 billion savings possible at no cost to state, says AARP report

AUSTIN, TX -- Increasing transparency in Texas' deregulated electricity market could save consumers \$956 million annually, or \$52 on an average annual residential bill, according to an independently commissioned study released today by AARP. The savings could be achieved at no cost to the state by cutting the lag in disclosing wholesale market information from 60 days to 2 days.

The report, *Transparency in ERCOT: A No-cost Strategy to Reduce Electricity Prices in Texas*, was released by AARP at a news conference today in the State Capitol. It was prepared for AARP by Robert McCullough, a nationally-recognized expert on electricity matters and managing partner of McCullough Research of Portland, Oregon. It can be downloaded at <http://www.mresearch.com/reports.html>.

Residential electricity prices in Texas have risen 64% since 1999. Under legislation passed that year, both power generators and eventually retailers were deregulated.

“While there is some hope that consumers may get new protections this session, it looks like rate relief is stalled out at the Legislature,” said Bob Jackson, State Director of AARP Texas. “Summer is just around the corner, it’s time for action.”

The report says the major reason for today’s high retail electricity rates is the flawed wholesale electricity market in which power generators sell directly to retail providers, or in a spot market operated by the Electric Reliability Council of Texas (ERCOT). While only a small percentage of wholesale transactions take place in this spot market, the prices obtained through it negatively affect the 5.5 million residential customers of electricity in the deregulated areas of Texas, regardless of the retail electric provider they may choose.

The report notes that the timely release of market data would improve market functions in Texas whereas the delay of market information protects non competitive behavior.

In 2007, the Public Utility Commission took a preliminary step in reducing the lag in disclosing wholesale market information to 60 days. But that still leaves too much time for market manipulation. The report notes that Australia's experience provides substantial evidence that a two-day delay is sufficient.

“When market prices are unusually high, it is useful for both decision-makers and competitors to know why they are high and to be able to take steps to repair the situation,” said Jackson. “However, state regulators did not go far enough. The Australian market, for example, requires information disclosure within two days.”

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