

Power Market Today

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Report Calls for More Transparent Texas Wholesale Market

The deregulated electricity market in Texas has been a bust for consumers due to a poorly structured wholesale market and a lack of transparency, according to a McCullough Research report prepared for the American Association of Retired Persons (AARP).

While deregulated market defenders have said high prices in Texas last year were the result of high natural gas prices, the McCullough report said that's not the case.

"[A]verage deregulated electricity rate increases in deregulated areas of Texas have far outpaced still-regulated investor-owned utilities in the other 25% of Texas and in neighboring states that are equally dependent on natural gas," the report said. "Residential electricity prices in Texas have risen 64% since 1999.

"The major reason for today's high retail electricity rates is the wholesale electricity market consisting of power generators that sell power directly to retail electric providers and a 'real-time' spot market called the balancing energy market (BES) operated by the Electric Reliability Council of Texas (ERCOT). Although only a small percentage of wholesale transactions take place at the BES, the high prices obtained through it affect all wholesale electricity transactions in ERCOT."

The report, titled "Transparency in ERCOT: A No-cost Strategy to Reduce Electricity Prices in Texas," calls for a reduction in "the lag for reporting real-time bids in the wholesale market from 60 days to two days." The report maintains that this would save consumers \$956 million a year, about \$52 per household. It also says transparency should be enhanced throughout the decision-making process by increasing public access to data.

Ever since the Texas market was deregulated a variety of parties have weighed in on the question of whether it's been a success, resulting in lower prices for consumers and reliable price signals to generation developers to spur necessary power plant development. Not surprisingly, consumer advocates tend to be critical of deregulation's effects in Texas while power marketer associations and other trade groups tend to support the state's deregulation work and its consequences (see Power Market Today, Feb. 10; Feb. 9; Nov. 19, 2008).

The McCullough report is available at [www.mresearch.com](http://www.mresearch.com) under the "Reports" link.

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