

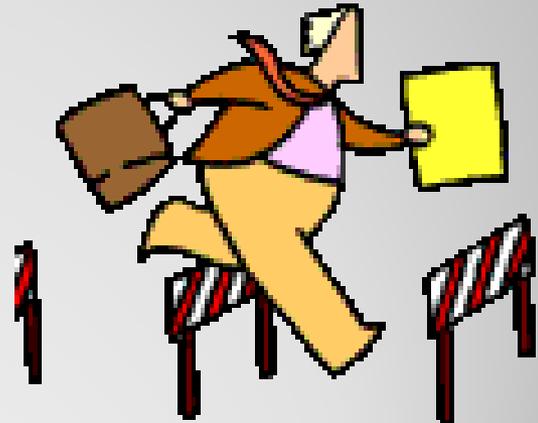


Dallas Energy Forum
The Texas Competitive Energy
Market

Donna L. Nelson, Commissioner
Public Utility Commission
September 26, 2008

“Entrepreneurs are simply those who understand that there is little difference between obstacles and opportunity and are able to turn both to their advantage.”

Victor Kiam



Challenges Facing Small Business

“For four years, the economy provided a good, stable foundation for small business owners to do business, but as it started to take a negative turn over the last several months, they felt the effects of rising costs of doing business as reflected by these results. As the economic outcome remains uncertain, small business owners are searching for innovative ways to reduce expenses and increase sales.”

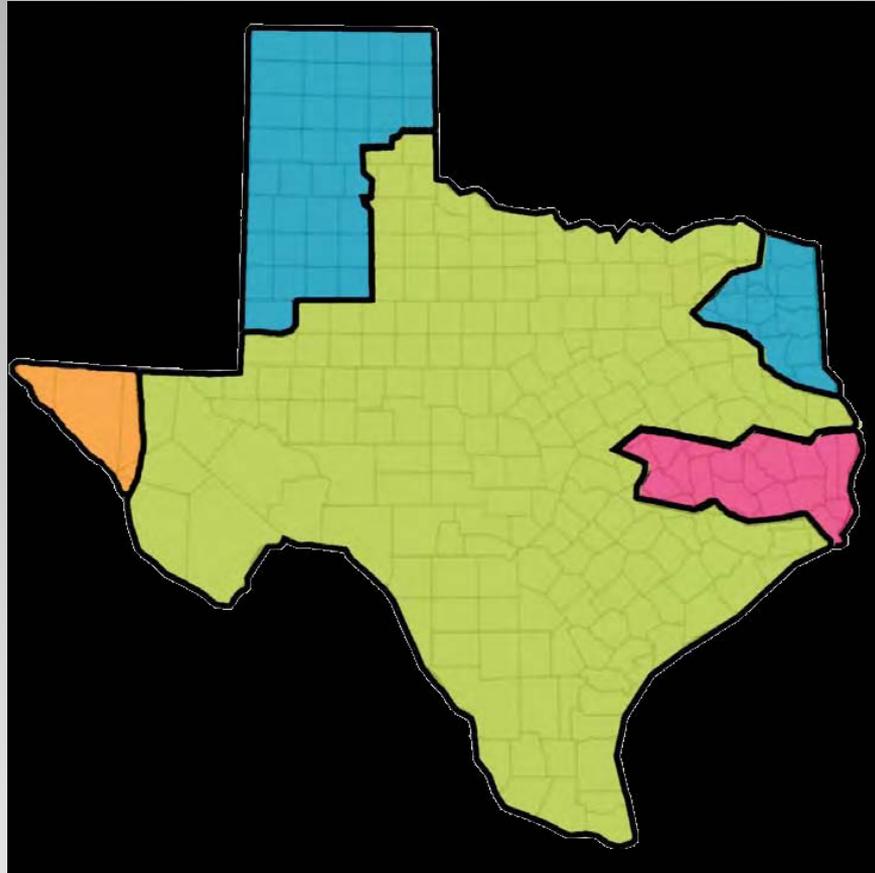
Bruce D. Phillips



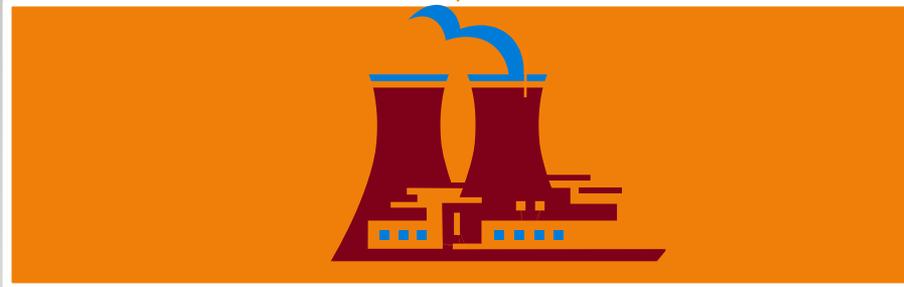
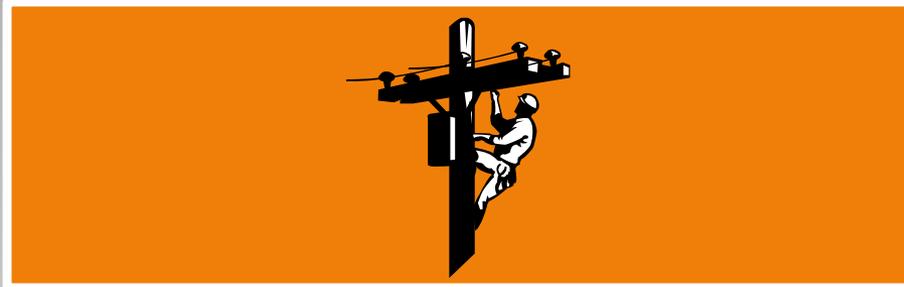
- Texas electric market like no other
 - Majority of Texans live in the area served by the Electric Reliability Council of Texas
 - ERCOT lies entirely within the state boundaries
 - Public Utility Commission oversees the electric market in Texas – FERC has limited jurisdiction
- Texas opened a portion of the wholesale electric market to competition in 1995
- Texas opened all of the wholesale and retail electric markets located within ERCOT to competition in 2002



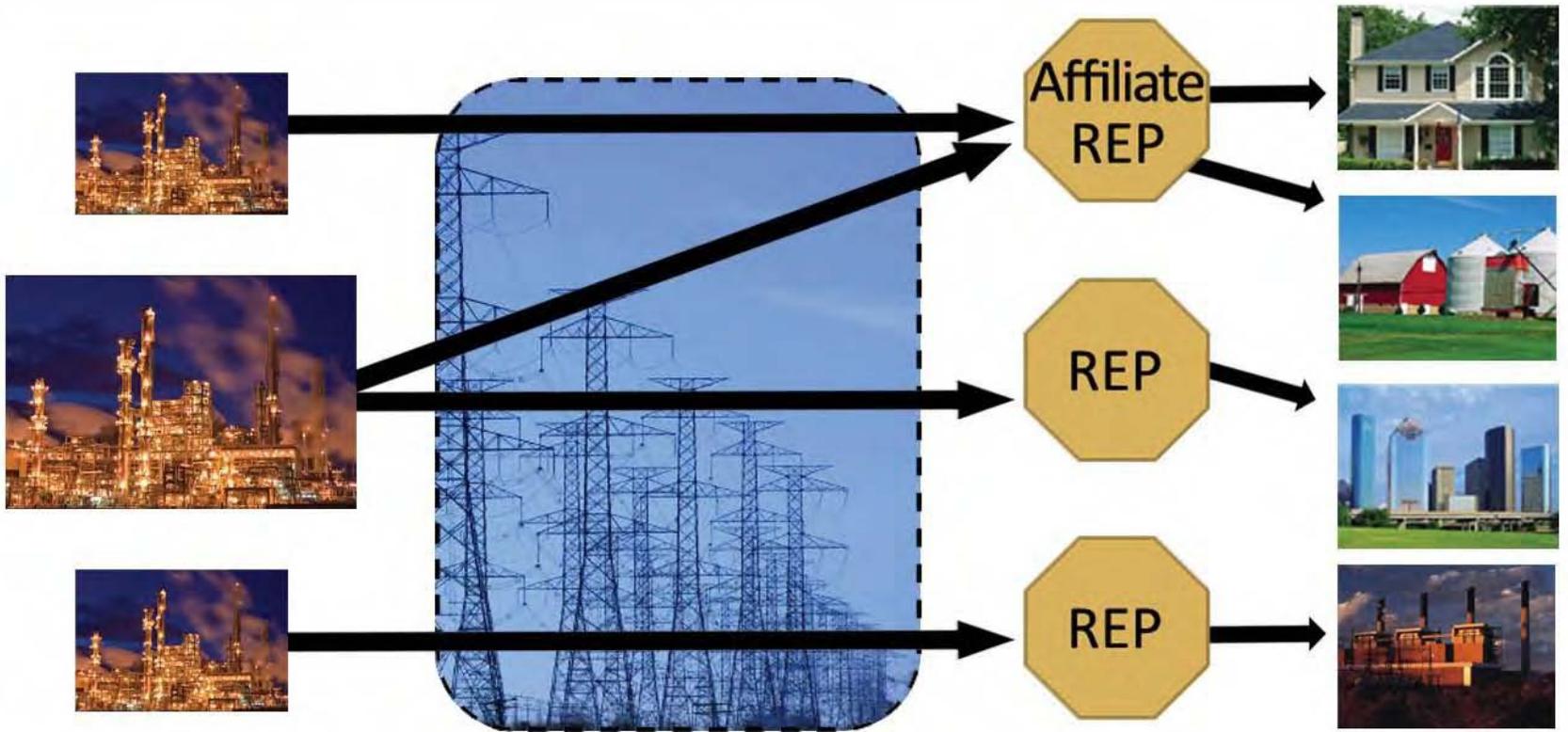
The Texas Electric Market



The Texas Electric Market



The Texas Electric Market: Regulated Areas



The Texas Electric Market: Competitive Areas

Is the competitive
retail electric
market a success?

**The Texas Electric Market:
Competitive Areas**

What the press says?

Star-Telegram

Survey: Many officials are foreseeing re-regulation

By R.A. DYER

Fort Worth Star-Telegram

September 21, 2007

Deregulation: Raw deal for power users

11:21 PM CDT on Friday, July 13, 2007

By GARY REAVES / WFAA-TV

How do you measure success?

DEREGULATION DEBATE

Many Texas consumers feel competition in the state's energy markets has been a costly failure

**By TOM FOWLER and JANET ELLIOTT Copyright 2007
Houston Chronicle**

Oct. 8, 2007, 7:15AM

When Texas lawmakers agreed to open the state's power markets to competition back in 1999, one promise was on the tip of many tongues — lower prices.

"Competition in the electric industry will benefit Texans by reducing monthly rates and offering consumers more choices about the power they use," then-Gov. George W. Bush said at the time.

Then-state Sen. David Sibley, who was a key author of the bill, put the promise more bluntly:

"If all consumers don't benefit from this, we will have wasted our time and failed our constituency," he said.

Eight years later, many consumers are calling deregulation just that — a failed waste of time.

How do you measure success?

Number of competitors and offerings?

TDU Area	No. of REPs	No. of Products
AEP - TCC	27	92
AEP - TNC	28	91
Center Point	26	92
Oncor	27	95
TNMP	25	84

How do you measure success?

Investment in
infrastructure since the
opening of the retail and
wholesale markets?

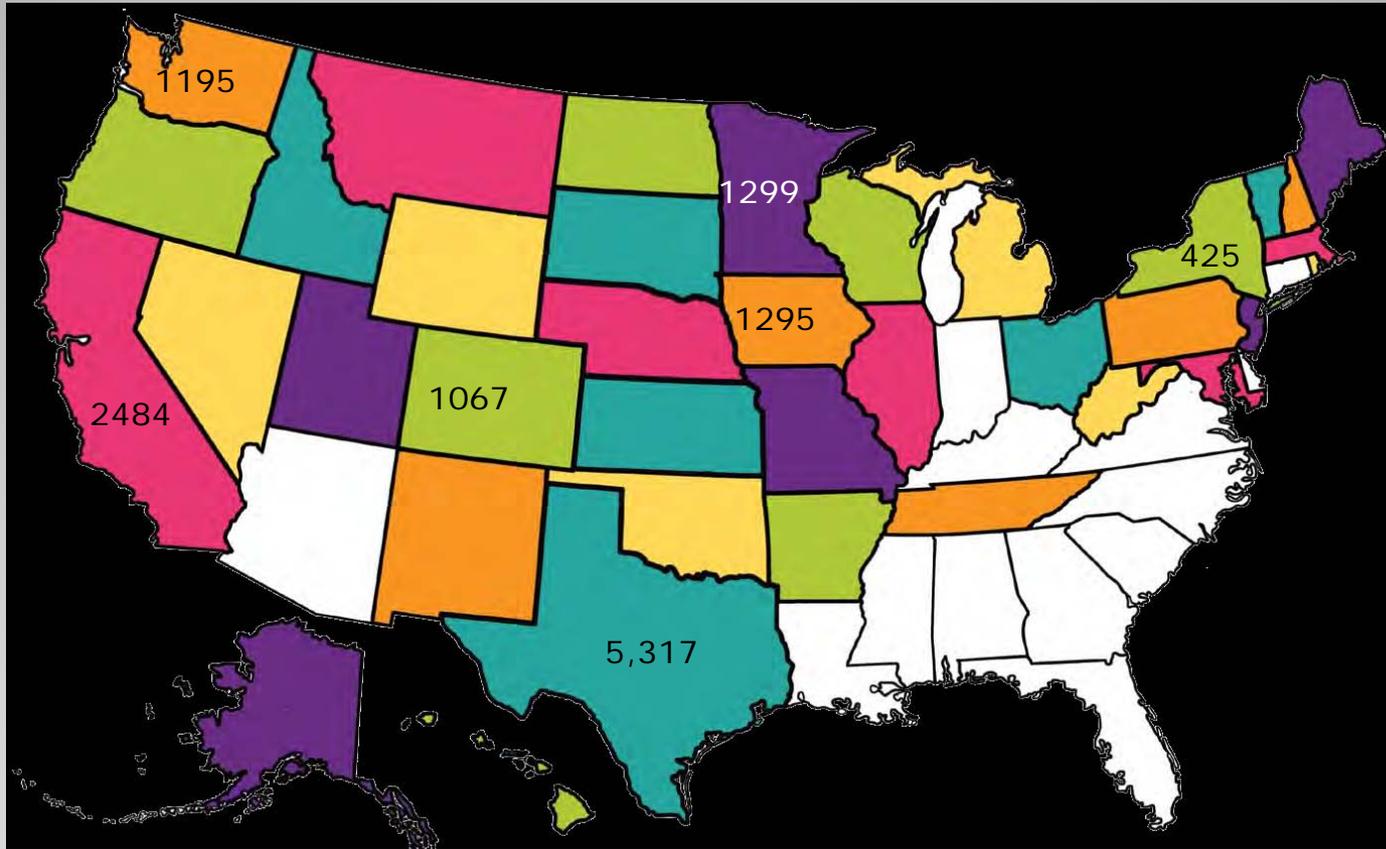
\$20-25 billion

How do you measure success?

All the risk in building electric generation has been borne by private companies and not ratepayers.

How do you measure success?

Installed wind capacity?



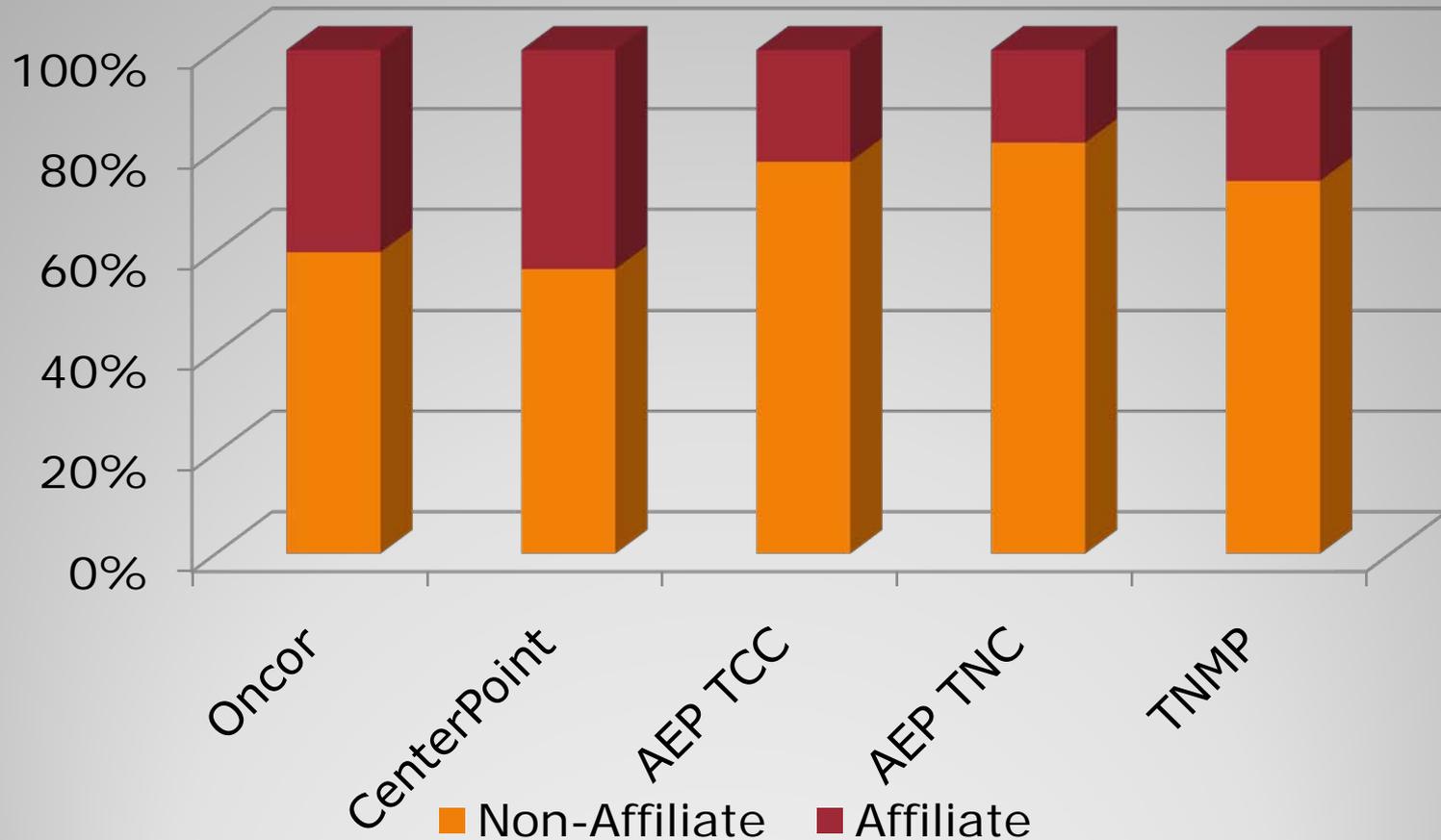
How do you measure success?

Prices since the opening of the retail electric market?

Wire Co.	Price	REP	K Type	K Term	Reg'd rate	% Inc.
AEPC	13.1	StarTex	Fixed	6-mo	9.6	36%
AEPN	10.5	Commerce	Fixed	12-mo	10.0	5%
TNMP	12.5	StarTex	Var.	1-mo	10.6	18%
Centerpt	12.7	StarTex	Fixed	7-mo	10.4	22%
Oncor	11.8	StarTex	Fixed	7-mo	9.7	22%

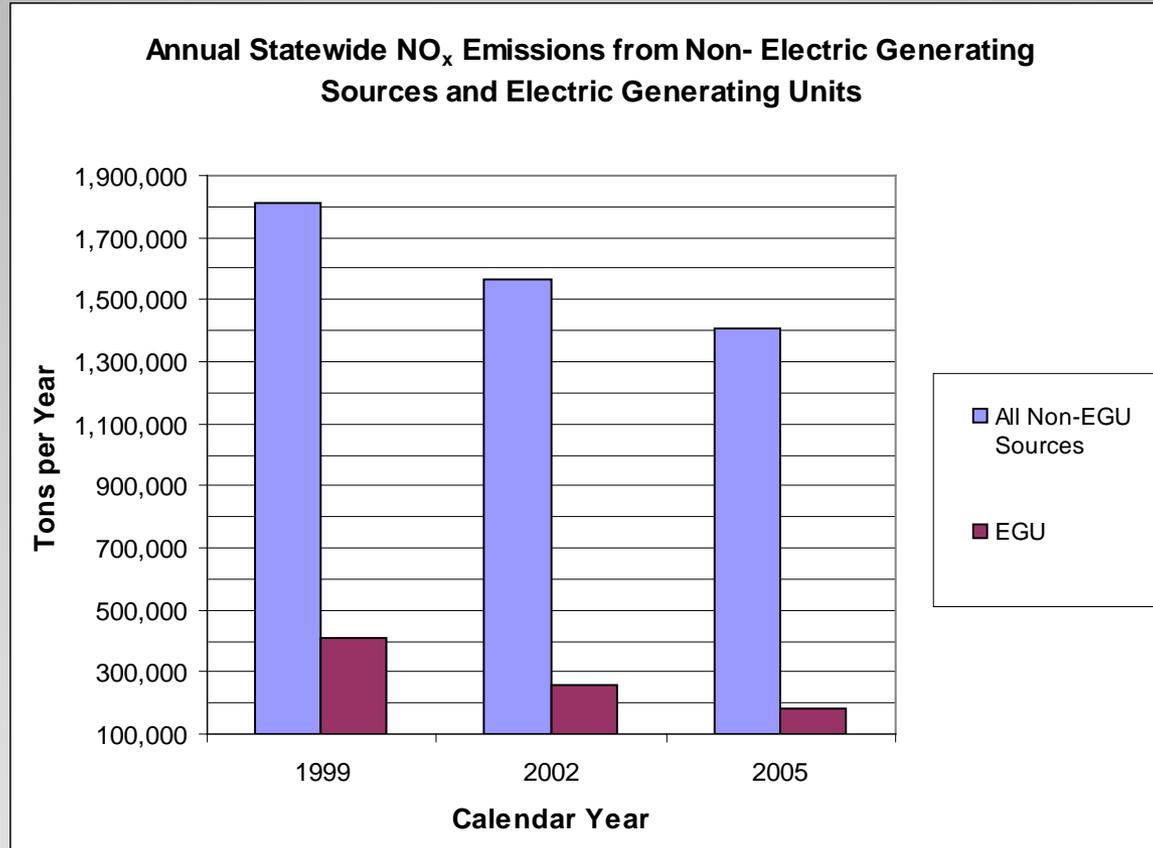
How do you measure success?

Customer switching rates?



How do you measure success?

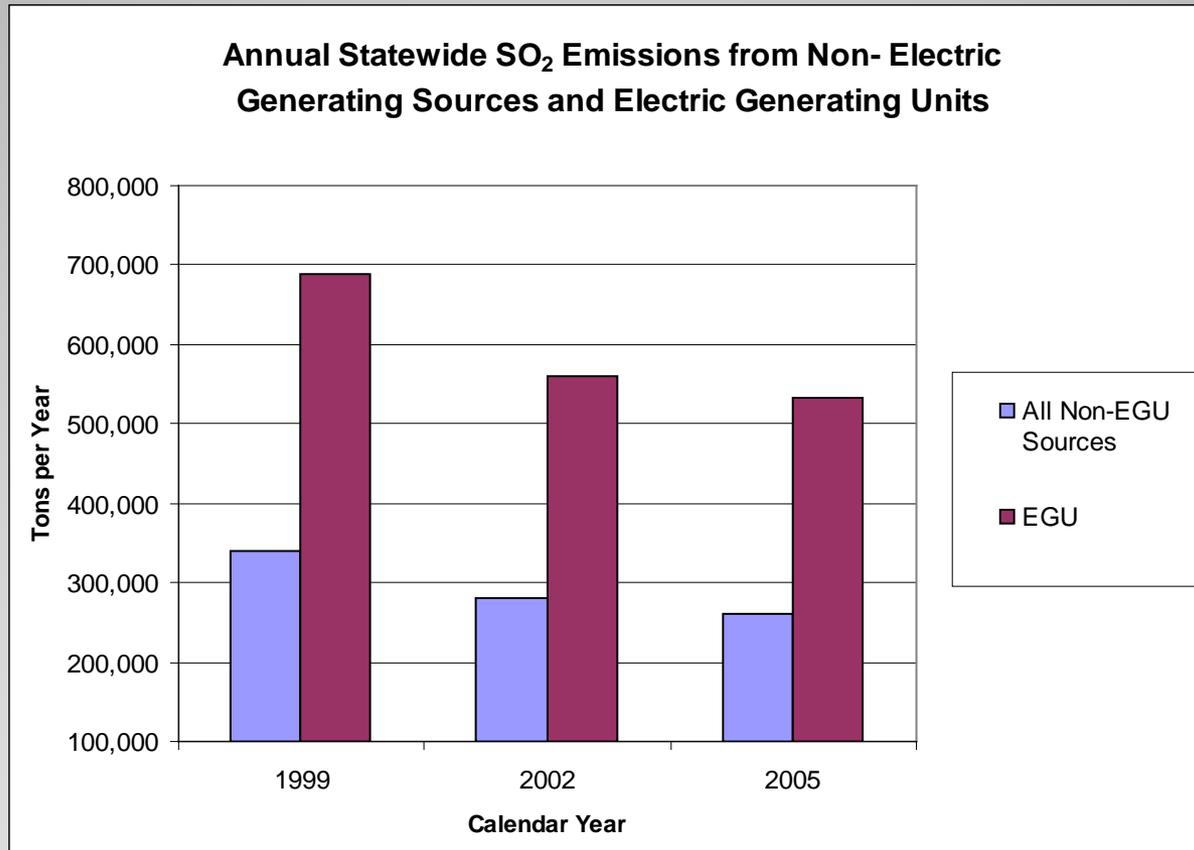
Reduction in NO_x Emissions?



Source: Texas Commission on Environmental Quality

How do you measure success?

Reduction in SO₂ Emissions?



Source: Texas Commission on Environmental Quality

How do you measure success?

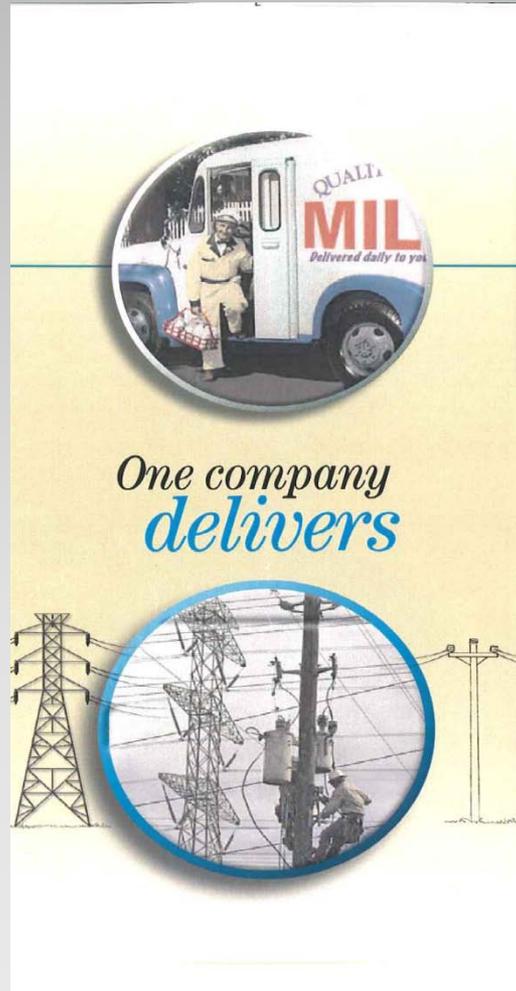
Now that we have determined that competition has been successful, how can you make the retail electric market work for **you**?

Making the market work for you.

Do you want to
switch retail electric
providers?

Making the market work for you.

The electrons travel the same wires,



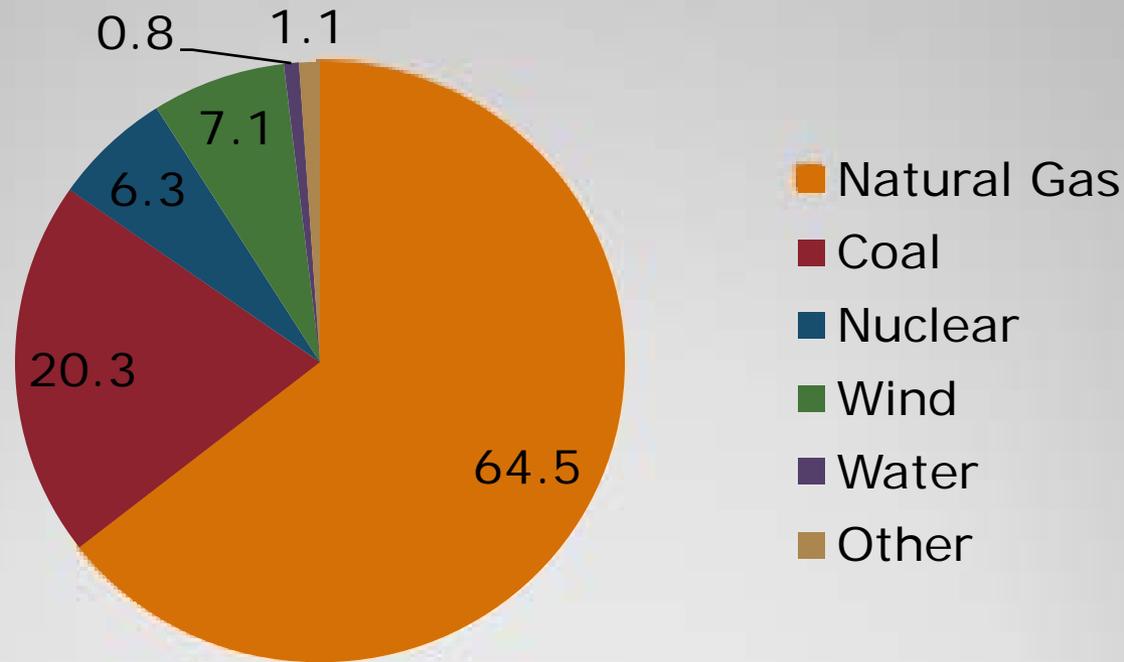
**and the lines are repaired by the same people,
in the same timeframe.**

Know the markets:
What do you need
to make an
informed choice?

Making the market work for you.

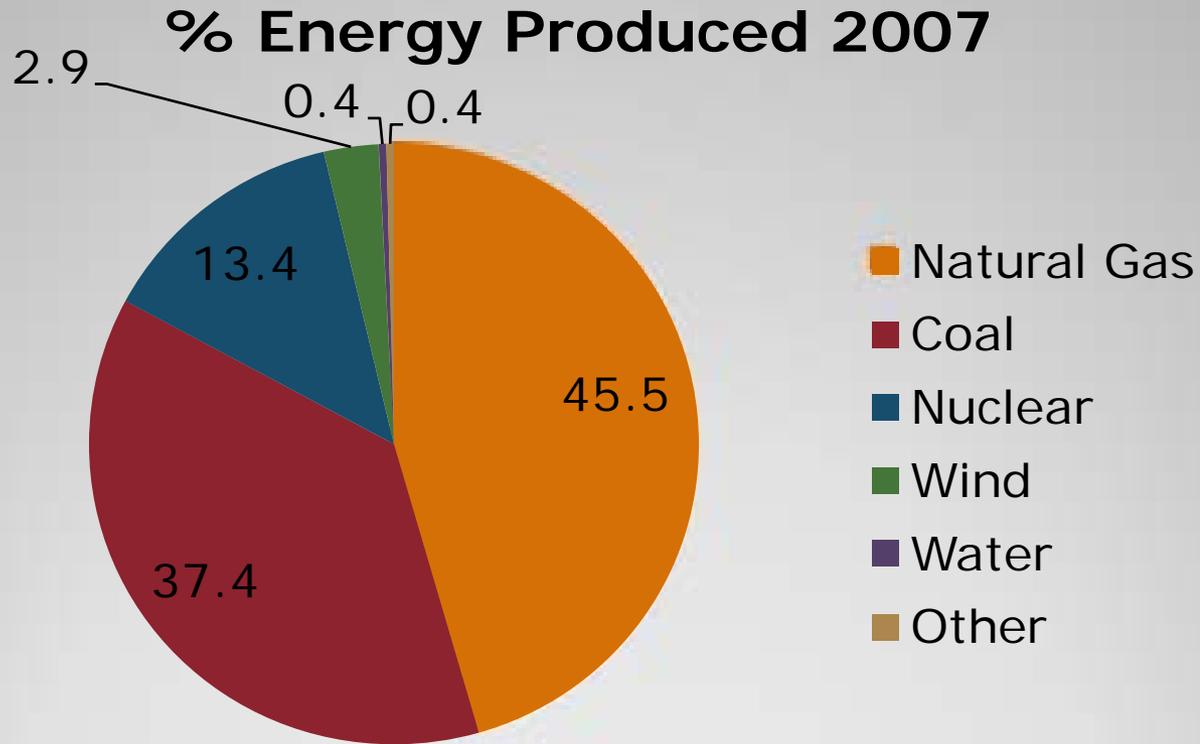
Know the markets:

% Installed Capacity 2008



Making the market work for you.

Know the markets:



Making the market work for you.

Know the markets:

The PUC's website provides valuable information, including information regarding the price of natural gas:

- **Price Of Natural Gas: \$7.02/ MMBtu /9/24/08**

<http://www.puc.state.tx.us/wmo/index.cfm>

Know your needs:

- **Know your current electric usage info and have it available when you are shopping.**
- **Know what you want from a retail electric provider.**
- **Let retail electric providers compete for your business.**

Exercise your ability to choose

Begin shopping:

1

- Visit the Public Utility Commission of Texas' (PUC's) Electric Choice Web site at www.powertochoose.org or calling the PUC's Electric Choice hotline at 1-866-PWR-4TEX (1-866-797-4839).

2

- Provide the ZIP Code to find the offers available.

3

- Use the information provided to contact retail providers (REP) and collect information on different services and offers.
 - Contact their existing REP for other offers that may be available.
 - Ask about contract terms and prices, and ask REPs to provide their Electricity Facts Labels to make an apples-to-apples comparison.

Questions to Help Make an Informed Decision

- What generation source do you want?
- What type of contract are you looking for?
- What price are you willing to pay?
- What kind of risk are you willing to assume?
- How much energy do you want to use or conserve?

Competition in the electric market brings customers choice and customers win if they make informed decisions.



SHOP. SWITCH. SAVE.

ABOUT ELECTRIC CHOICE

REASONS TO CONSIDER SWITCHING

COMPARE YOUR CHOICES



The Official Electric Choice Web site of the Public Utility Commission of Texas

Welcome to the Texas Electric Choice Web site, where you can learn about electric competition in Texas and obtain information to help you make informed decisions about your electricity service and Retail Electric Provider. Select from the categories above to learn about electric choice and the options available for you in the marketplace.

[Go Directly To Offers](#)

[Site Map](#) / [Contact Us](#) / [Glossary](#) / [FAQs](#) / [Publications](#) / [Your Rights](#) / [Low Income](#) / [Information for Businesses](#)

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ABOUT ELECTRIC CHOICE

REASONS TO CONSIDER SWITCHING

COMPARE YOUR CHOICES

Available Offers

Search Criteria

Zip Code:

TDU Service Areas:
 ONCOR ELECTRIC DELIVERY COMPANY

Rate Type:

Renewable Content:

Price (cents per kWh):
From: To:

Contract Term (months):
From: To:

REP Company:

Or check boxes to compare offers

Click the column headings to sort offers

	Retail Electric Provider	Avg. Price/kWh (1,000 kWh)	Cost per 1,000 kWh	Rate Type	Renewable Energy Content	Term (Mo.) Cancellation Fee
<input type="checkbox"/>	StarTex Power <i>Star "Secure" 7 month Plan</i> Terms of Service Facts Label Sign Up Special Terms	11.8¢	\$118.00	Fixed	0%	7 \$150.00
<input type="checkbox"/>	StarTex Power <i>Secure 6</i> Terms of Service Facts Label Sign Up Special Terms	11.8¢	\$118.00	Fixed	0%	6 \$150.00
<input type="checkbox"/>	StarTex Power <i>Promotional Month to Month</i> Terms of Service Facts Label Sign Up Special Terms	12.4¢	\$124.00	Variable	0%	1 None
<input type="checkbox"/>	Champion Energy Services <i>One Rate Fixed-6</i> Terms of Service Facts Label Sign Up Special Terms	12.4¢	\$124.00	Fixed	2%	6 \$175.00
<input type="checkbox"/>	Spark Energy, L.P. <i>Spark Online Advantage</i>	12.5¢	\$125.00	Fixed	0%	6

[Print search results](#) [Export offers to XML*](#) XML

- Filtering does not apply to the exported XML results.
- To view the file in Excel (2003 or newer), left-click on the **Export Offers** link and save the XML file to your hard disk. Launch Excel and browse to the saved XML file by selecting the **File > Open** menu option in the application. Choose to open file **As an XML List** when prompted.



SHOP. SWITCH. SAVE.



Texas Electric Choice
EDUCATION PROGRAM

To make the best apples-to-apples comparison of providers and offers, you should ask each provider the following list of questions. To help you compare offers based on price, contact your current electric provider and ask for your current plan's total electric rate based on a 1,000 kWh usage (not including taxes or non-recurring fees).

QUESTIONS TO ASK EACH PROVIDER:

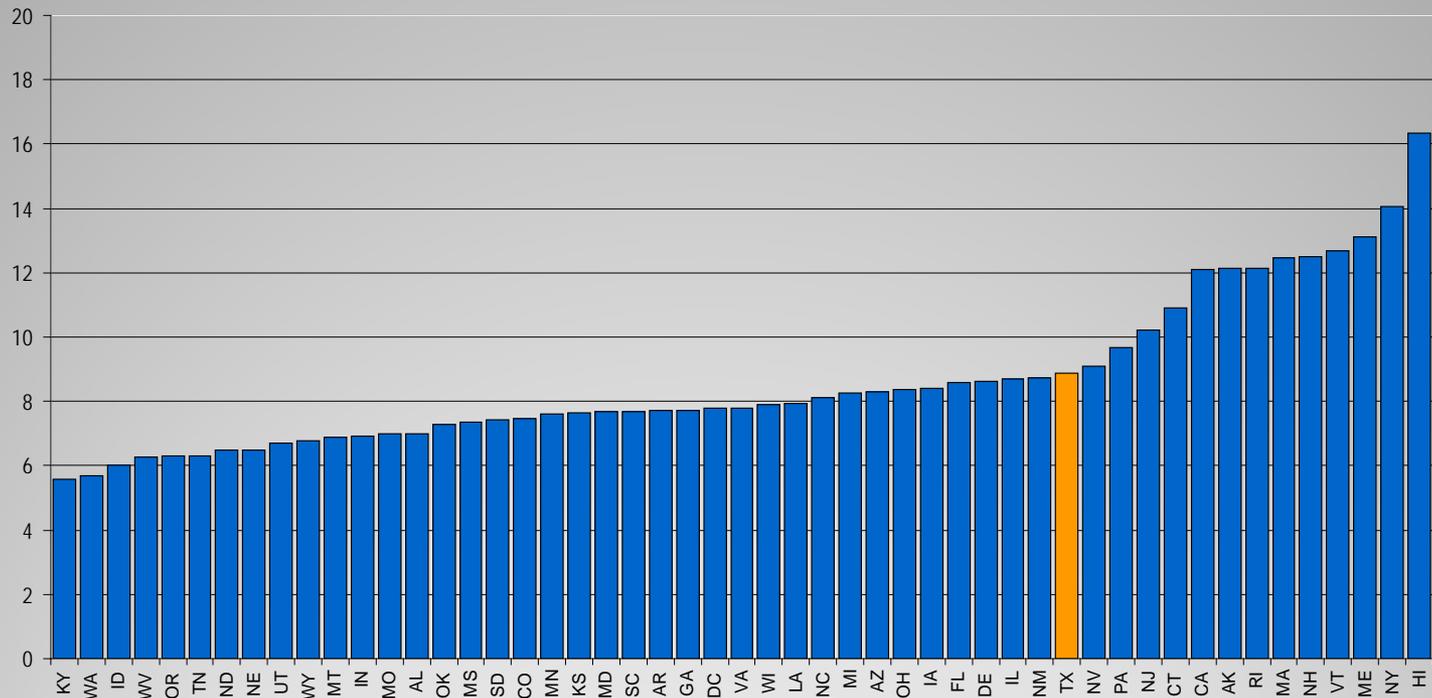
	Your Current Provider	_____ company name	_____ company name	_____ company name
1. What will I pay per "kilowatt hour" (kWh) of electricity based on a 1,000 kWh usage (not including taxes or non-recurring fees)?	\$ _____	\$ _____	\$ _____	\$ _____
2. Does this rate include everything, including the electricity cost, the transmission and distribution charges, fuel charges, if any, as well as the monthly customer charge or other fees?	<input type="checkbox"/> Yes <input type="checkbox"/> No _____ _____ _____			
3. Is a deposit required and if so, how much?	<input type="checkbox"/> Yes <input type="checkbox"/> No \$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No \$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No \$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No \$ _____
4. What if I miss a payment?	_____ _____	_____ _____	_____ _____	_____ _____
5. What are my payment options?	_____	_____	_____	_____
6. Is this offer a fixed rate offer or a variable rate offer? If it is a variable rate offer, how can it change and how do I find out when the rate will change?	<input type="checkbox"/> Fixed <input type="checkbox"/> Variable _____ _____			
7. Is there a contract and if so, how long is it for?	<input type="checkbox"/> Yes <input type="checkbox"/> No Length _____	<input type="checkbox"/> Yes <input type="checkbox"/> No Length _____	<input type="checkbox"/> Yes <input type="checkbox"/> No Length _____	<input type="checkbox"/> Yes <input type="checkbox"/> No Length _____
8. Is there a penalty if I break the contract?	<input type="checkbox"/> Yes <input type="checkbox"/> No \$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No \$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No \$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No \$ _____
9. What happens when my contract period expires?	_____ _____ _____	_____ _____ _____	_____ _____ _____	_____ _____ _____

- Before competition, Texas electric rates were among the lowest in the country, and now they are among the highest.

True or False?

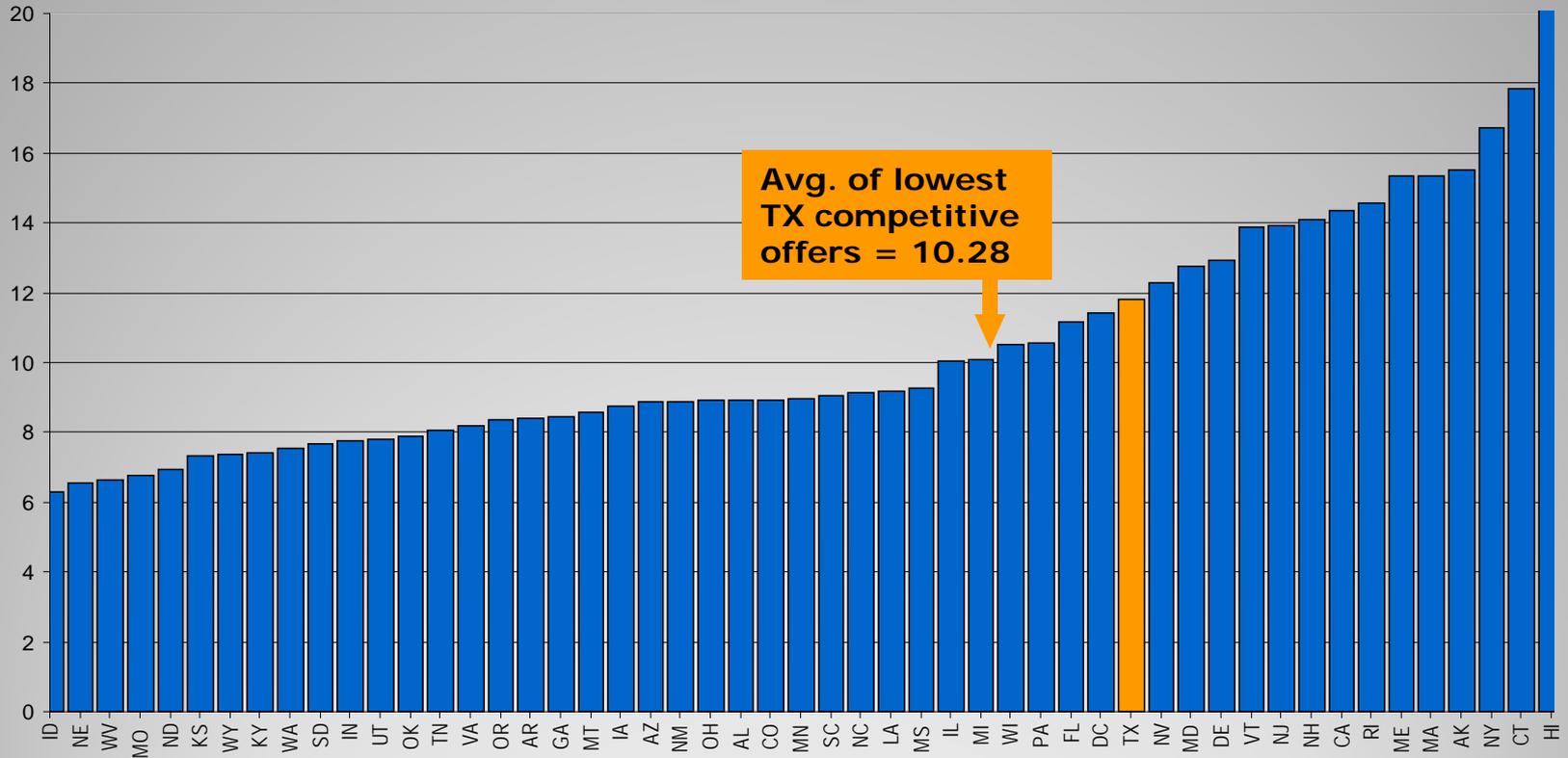
False!

Cents per kWh



Average Retail Price of Electricity for Residential Customers by State, Annual 2001

Cents per kWh

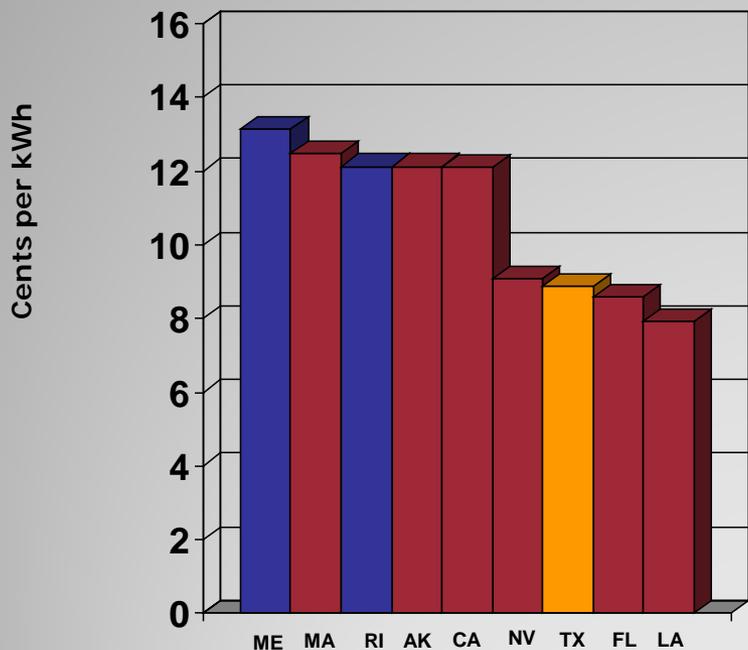


Avg. of lowest TX competitive offers = 10.28

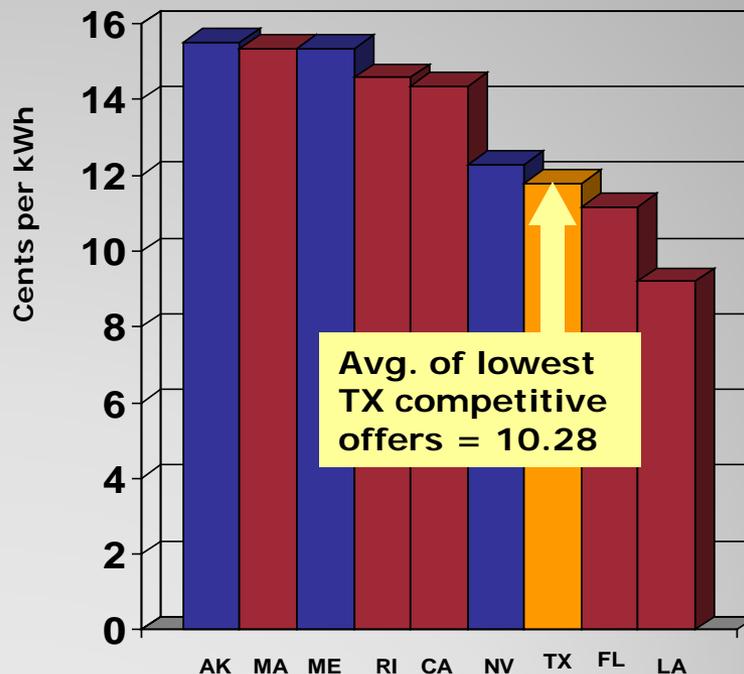
Average Retail Price of Electricity for Residential Customers by State, Dec. 2007

Source: www.eia.doe.gov (Total electric industry; Electric Power Monthly for Dec. 2007 data; 2007 Texas rate includes average of REPs, MOUs, COOPs, and IOUs; Calculates total revenue/total customers to account for different competitive plans); www.powertochoose.org (April 9, 2008)

2001



2007



Residential electricity rates in Texas are lower than average among states using gas as the primary fuel

- So, you want to save money and shop around, but:

- You don't have enough time;
- This is too confusing;
- You would need a degree of finance to be able to pull it off.



- What do you do?

- PUC's website lists aggregators who buy power for many companies:

http://www.puc.state.tx.us/electric/directories/agg/agg_list.htm

- Consultants are becoming increasingly available
- For additional assistance, check with your business trade associations.



Questions