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**Texas Electricity Market Design Most Successful in North America
Ranks 1st in the Annual Baseline Assessment of Choice in Canada
and the United States (ABACCUS)**

*Well-structured competitive electricity markets deliver innovation,
new investments, and customer choice*

Houston, TX ... Texas residential and commercial/industrial electric markets top the 2010 list of competitive electric markets in North America. Texas has earned the top spot in residential for four consecutive years. Texas has earned the top spot in commercial/industrial for three years. In both segments, Texas earned the 2010 top rating of “Excellent” for its implementation of customer choice.

These are findings of Distributed Energy Financial Group (DEFPG) in its Annual Baseline Assessment of Choice in Canada and the United States (ABACCUS) report which was released today. The report identifies the successful markets in North America and explains the policy choices that led to those successes.

In Texas, where residential electricity prices have fallen and consumers have more than 250 products to choose from, Chairman Barry Smitherman of the Public Utility Commission of Texas said, “Value is mainly about price, but price is not the whole story. Customer choice, renewable resources and demand response are other valuable features of a competitive electricity market.”

“Competitive electricity markets are critical to meeting our country’s future electric power needs,” said Nat Treadway, DEFPG manager partner and lead author of the report. “When well structured, like the one in Texas, they deliver the product innovation, new investments and choices that are both appealing to and good for consumers.”

According to the ABACCUS report, commercial and industrial customer choice is thriving in many U.S. states and Canadian provinces because well-structured electric markets foster the introduction of new products and services that are not available in traditional electric markets. A significant variety of products and services is available, including: locking in energy prices for a year or more, indexed energy prices, green or sustainable products, the development of on-site power generation, premium power quality services, backup power and reliability services, energy efficiency services and opportunities for customers to participate in bulk power markets.

Additionally, residential consumers benefit from customer choice in several areas and are poised to reap additional benefits as new technology is implemented. New smart grid infrastructure investments – advanced meters, communications and control devices, and in-home usage displays – allow entrepreneurial retail energy suppliers to develop innovative pricing and service choices. Consumers now have more choices, more information and better ways to control their energy bills and increase the value of electric service in their lives.

The ABACCUS report identifies Texas and New York as leading states. These states have vibrant markets with numerous retail energy suppliers and numerous service choices for customers of all sizes. The report also identifies the Canadian province of Alberta as a leader where its policies fostered choice for residential electricity customers. Several other jurisdictions are recognized in the report for their market performance as well.

The ABACCUS report highlights that retail choice addresses public and economic goals related to customer assistance, energy efficiency, renewable energy development, the environment, and job creation. Mr. Treadway explained, “A well-designed market platform delivers clean energy options and consumer choice. Choice, combined with appropriate public policies, is transforming the electric industry,” he said. “Regulatory commissions have made progress in listening to stakeholder in their states, and in crafting markets that are delivering.”

Market forces continued to deliver lower retail power prices as input fuel prices remained low in 2010 – of great societal value against the backdrop of a continued economic slump. Additionally, new mechanisms resulted in protections for all customers, programs to assist low-income consumers with payment assistance, robust energy efficiency and demand-response programs based on solid economics and verification standards, and dramatic investments in renewable energy resources. For example, there is more wind power production and associated capital investment in Texas than in any other state. Texas also continues to move forward with new transmission investments to bring more wind power to the market.

2010 ABACCUS Rankings, Assessments and Recommendations

A hallmark of the ABACCUS analysis and report is the breadth of issues explored. The ABACCUS rankings and recommendations address design issues that are directly related to the ABACCUS methodology topics: 1) retail market status, 2) wholesale market competition, 3) default or standard service design, and 4) facilitation of the choice of retailer.

This comprehensive assessment methodology was developed over several years through a collaborative effort among retail energy suppliers and representatives from state regulatory commissions. The ABACCUS methodology applies data related to market structure and performance to score each state or province, which results in a ranking. This year’s rankings for the top areas are:

2010 ABACCUS Rankings and Assessments

Residential			Commercial/Industrial		
Jurisdiction	2010 Rank	2010 Assessment	Jurisdiction	2010 Rank	2010 Assessment
Texas	1	Excellent	Texas	1	Excellent
New York	2	Excellent	New York	2	Good
Alberta	3	Good	Illinois	3	Good
Pennsylvania	4	Good	Maryland	4	Good
Maryland	5	Marginal	Connecticut	5	Good
Massachusetts	6	Good	Pennsylvania	6	Good
Ohio	7	Marginal	Maine	7	Good
Illinois	8	Good	Massachusetts	8	Good
Maine	9	Marginal	New Jersey	9	Good
Ontario	10	Marginal	Alberta	10	Good
New Jersey	11	Marginal	District of Columbia	11	Good
Connecticut	12	Good	Ohio	12	Marginal
District of Columbia	13	Marginal	Delaware	13	Good
New Hampshire	14	Marginal	California	14	Marginal
Rhode Island	15	Marginal	Ontario	15	Marginal
Delaware	16	Marginal	New Hampshire	16	Marginal

The report also presents recommendations based on public policy choices that support the application of competitive forces. Chief among these is the design of default service. A poorly-designed default service program can undermine retail competition because it attempts to provide services that a market can best provide, and therefore creates greater barriers to entry for competitive entities which are better suited to meet unique customer needs. Texas phased out its “price to beat” default service in 2007 and is a leader in that regard.

There are a number of actions that policymakers can take to reduce the impediments of default service to competitive retail markets. Key among these is the movement of default service to a more market-reflective rate in the near term. Short-term prices are more efficient, exclude the premiums associated with long-term fixed prices, and allow consumers to better respond to price changes. For consumers who desire a longer-term, fixed-price product, competitive retail suppliers offer these products.

ABACCUS provides a baseline for building a properly functioning competitive energy market. Copies of the full report are available at www.defgllc.com.

Editor’s note: A media conference call will be hosted by Mr. Treadway, William Massey, Esq. of the Compete Coalition, and Chairman Barry Smitherman of the Public Utility Commission of Texas on Monday, December 6 at 11:00 a.m. EST. Please dial (877) 669-3239 and use code 230 743 74.