



Energy Retailer Research Consortium
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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 2009 list of competitive electric markets in North America. Texas has earned the top spot in residential for three consecutive years, all years that segment has been reviewed. Texas has earned the top spot in commercial/industrial for the two years that segment has been reviewed. In both segments, Texas earned the 2009 top rating of “Excellent” in its implementation of customer choice.

These are findings of The Energy Retailer Research Consortium (ERRRC), an independent research consortium that supports retail energy choice, 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.

“Consumers win when they have the power of choice,” said Pat Wood, III – an ABACCUS co-sponsor and former Chairman of both the Federal Energy Regulatory Commission and the Public Utility Commission of Texas (PUCT). “Competition has helped slash Texas retail power prices over the past year. Product innovation, coupled with our robust power infrastructure, balanced customer protections, and strong market monitoring policies, all combine to position Texas well for the future.”

“Well-structured, competitive electricity markets are critical to meeting our country’s future electric power needs,” said Nat Treadway, the ERRC Projects Manager. Mr. Treadway formerly spent 14 years at the PUCT working on energy efficiency, load management, advanced pricing options, renewable energy and other policies to shape the new competitive electric marketplace. “These competitive electricity markets deliver the innovation, new investments and customer choice required for future success,” Mr. Treadway continued.

According to the ABACCUS report, commercial and industrial customer choice is thriving in many U.S. states and Canadian provinces because well-structured and implemented electric markets foster the introduction of numerous product offerings and services that were not available in traditional electric markets. A significant variety of products and services is

available today, including: locking in energy prices for a year or more, indexed energy prices, hourly energy pricing, green or renewable energy pricing, the bundling of maintenance services with electricity purchases, 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 infrastructure investments – such as advanced meters, communications, and control devices – allow entrepreneurial retailers to develop innovative pricing and service choices. In the future, consumers will have more choices and control to lower their total energy bills, reduce their impact on the environment, and increase the value of electric service in their lives.

The ABACCUS report identifies Texas and New York as leaders in the U.S. Appropriate policies in these states helped create vibrant competitive electricity markets with numerous retailers and service choices for customers of all sizes. The report also identifies the Canadian province of Alberta as a leader where its policies have fostered choice for residential electricity customers.

The ABACCUS report highlights that retail choice meets social and economic goals related to customer assistance, energy efficiency, renewable energy development, the environment, and job creation.

Mr. Treadway explained that social and economic goals are well suited to competitive electricity markets. “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.

Market forces delivered lower retail power prices as input fuel prices fell in 2009 – of great societal value against the backdrop of an economic slump. Additionally, new mechanisms have 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 adopted rules for new transmission investments to bring more wind power to the market.

2009 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 retailers and representatives from eight 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:

2009 ABACCUS Rankings and Assessments

Residential			Commercial/Industrial		
Jurisdiction	2009 Rank	2009 Assessment	Jurisdiction	2009 Rank	2009 Assessment
Texas	1	Excellent	Texas	1	Excellent
New York	2	Excellent	New York	2	Good
Alberta	3	Good	Maryland	3	Good
Maryland	4	Marginal	Illinois	4	Good
Massachusetts	5	Good	Maine	5	Good
Maine	6	Marginal	Massachusetts	6	Good
Connecticut	7	Good	District of Columbia	7	Good
Illinois	8	Good	Alberta	8	Good
Pennsylvania	9	Good	Connecticut	9	Good
New Jersey	10	Marginal	New Jersey	10	Good
District of Columbia	11	Marginal	Pennsylvania	11	Good
Delaware	12	Marginal	Delaware	12	Good
New Hampshire	12	Marginal	New Hampshire	13	Marginal
Ontario	14	Marginal	Rhode Island	14	Marginal
Rhode Island	15	Marginal	California	15	Marginal
Ohio	16	Marginal	Ohio	16	Marginal
California	17	Unsatisfactory	Ontario	17	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 that are better suited to meet unique customer needs.

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 retailers 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. Wood of Wood3 Resources, Mr. Treadway and William Massey of COMPETE on Monday, December 7 at 11:00 a.m. CST. Please dial (888) 387-8686 and use code 5678677.