



Texas Competitive Power Advocates

701 Brazos, Suite 970 • Austin Texas 78701 • (512) 320-5953
Marianne Carroll, Executive Director • mcarroll@carrollgross.com

FOR IMMEDIATE RELEASE
FEB. 9, 2005

CONTACT: Kirsten Voinis
(512) 922-7141

STUDY REVIEW SHOULD PERSUADE PUC TO ADOPT NODAL MARKET DESIGN *PUC to discuss cost-benefit study at Thursday meeting*

The Public Utility Commission of Texas' review Thursday of an independent cost-benefit study should confirm that changing to a nodal power market design is the best option for the state's electric market, according to Texas Competitive Power Advocates, which has submitted comments to the PUC supporting the study.

The "Market Restructuring Cost Benefit Analysis" by Tabor Caramanis & Associates and KEMA Consulting Inc. was filed with the PUC in December. The PUC requested the study as it considers moving to a nodal market design in the area served by the Electric Reliability Council of Texas (ERCOT) by October 2006.

Under a nodal market design, wholesale electricity prices are calculated for specific delivery points based on local demand, generation and transmission available to serve that local area. Currently, ERCOT prices wholesale electricity within a few broad zones across the state.

"The facts, as outlined in this independent, comprehensive study, overwhelmingly show that Texas power customers would immediately be better served under a nodal market design," said William Taylor, TCPA president and vice president of government and regulatory affairs at Calpine Corp. "Once PUC commissioners hear more about the study, TCPA is confident that they will move forward with their intention to switch to this design, which almost every other competitive electric market in the country already operates under."

The cost-benefit study found that implementing a nodal market design in ERCOT would immediately reduce the cost of providing electricity by \$832 million statewide, and save more than \$8.2 billion over 10 years. In addition, another \$1.2 billion could be saved annually in electricity production costs by using more efficient plants to generate electricity in a nodal market.

At the same time, nitrogen oxide (NOx) emissions would be reduced by an average of 3,270 tons per year because the market design would encourage more reliance on cleaner, more efficient power generators

The study estimates the one-time costs to switch to a nodal market design would range between \$107 million and \$156 million.

"The lowered costs of providing electricity under a nodal market design far outweigh the costs of setting up the market in Texas," Taylor said. "Texans will be the ultimate beneficiaries of this new market design, which will ensure reliability of the state's power grid, reduce air emissions and more efficiently dispatch generation where it is most needed."

The cost-benefit study can be found on TCPA's Web site at www.competitivepower.com.

Texas Competitive Power Advocates is a trade association representing more than a dozen power generators, wholesale power marketers and retail electric providers in Texas. For more information on the proposed nodal market design and Texas Competitive Power Advocates, visit www.competitivepower.com.