



## Texas Competitive Power Advocates

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

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**CONTACT: Kirsten Voinis  
(512) 922-7141**

### **TCPA PRAISES HOUSE COMMITTEE INTERIM REPORT AT HEARING**

*Report just one of several issued recently favorable to nodal*

Texas Competitive Power Advocates today reiterated to state representatives that changing the way electric generating plants are dispatched in Texas will better serve consumers by cutting power costs and making sure the electric system remains reliable.

TCPA president William Taylor, vice president of government and regulatory affairs at Calpine, was invited to testify today before the House Committee on Regulated Industries.

The committee issued an interim report in January which supports TCPA's position in favor of a nodal market design, in which generating plants are dispatched for service each day according to each plant's economic efficiency, and wholesale electricity prices are calculated on a nodal – or locational – basis according to each local area's actual electricity usage, generation capability and transmission constraints.

ERCOT currently prices wholesale electricity within broad bands across the state under a zonal market design, which fails to recognize economic efficiency or the actual operational needs of the electric grid.

Transition to a nodal market design is being studied by the Public Utility Commission of Texas (PUC), with a view to implementation by October 2006 in the area of Texas served by the Electric Reliability Council of Texas (ERCOT).

In Taylor's testimony today, he thanked the committee members for their hard work during the interim to analyze Texas' electric market design and for issuing a report favorable to a nodal market design.

"Based on our members' collective experience in regional transmission organizations or independent system operators that operate nodal markets, TCPA believes you reached the correct conclusions," Taylor testified. "Most of you are aware TCPA has been a vocal supporter of nodal markets in every available forum. This is not a case of supporting change for the sake of change, but because the change will provide demonstrable positive results."

Taylor told the committee that its findings echoed those by ERCOT's outside experts as well as the experience of other regions that operate under a nodal market design.

"In summary, the evidence is in and it is conclusive: the move to a nodal marketplace will produce immediate, significant benefits for Texas," Taylor said. "It should proceed on a deliberate path to an implementation date of October 2006 as envisioned by the PUC when it adopted the nodal rule."

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He ended his testimony by urging the committee to continue its support for the PUC's decision-making process regarding the nodal issue.

The House Regulated Industries Committee's interim report is one of just several independent reports issued in recent months favorable to a nodal market design:

- "Market Restructuring Cost Benefit Analysis" by Tabor Caramanis & Associates and Kema Consulting, which was filed with the PUC in December, found that a nodal market would reduce the costs to serve customers in Texas by more than \$832 million immediately and more than \$8.2 billion over 10 years. An additional \$1.2 billion could be saved in electricity production costs by using more efficient plants to generate electricity in a nodal market.
- The Senate Business and Commerce Committee's interim report, issued in December, acknowledged that a nodal design of the wholesale electricity market would more directly assign the cost of generating electricity, providing for a more efficient economic dispatch of generation.
- "2004 Assessment of the Operation of the ERCOT Wholesale Electricity Markets" issued by Potomac Economics in November, concluded that "Well-structured nodal markets would resolve most of the operational and efficiency issues that plague the current markets due to zonal simplifications, the portfolio scheduling and bidding framework, and local congestion management procedures."
- "2003 State of the Market Report for the ERCOT Wholesale Electricity Market," also by Potomac Economics, issued in August, determined that the ERCOT market suffers from a number of operational issues and inefficiencies that would be "most effectively addressed by the introduction of the Texas Nodal markets that are currently being considered for implementation in 2006."

"Transition to a nodal market design is an idea that looks better and better as more independent reports are issued that tout its benefits," Taylor said. "The reports underscore TCPA's position that a nodal market design will better serve consumers and assure long-term stability of the state's electric system."

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](http://www.competitivepower.com).

*Note: The Report by the House Committee on Regulated Industries can be found at [www.house.state.tx.us](http://www.house.state.tx.us). The report by the Senate Committee on Business and Commerce can be found at [www.senate.state.tx.us](http://www.senate.state.tx.us). All other reports can be found in the "News Room" section of TCPA's Web site, [www.competitivepower.com](http://www.competitivepower.com).*