



Texas Competitive Power Advocates

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

FOR IMMEDIATE RELEASE
APRIL 29, 2005

CONTACT: Kirsten Voinis
(512) 922-7141

NODAL OPPONENTS IGNORING PROBLEMS WITH CURRENT MARKET DESIGN

Data, numerous studies support switch to nodal

Opponents to adopting a nodal electric market design proposal in Texas not only are relying on misinformation to make their case, but they also are ignoring the detrimental impact to the state and its power consumers if the current zonal market design is allowed to remain in place.

“Numerous independent studies released in recent months overwhelmingly show that Texas power customers would immediately be better served under a nodal market design,” said William Taylor, vice president of government and regulatory affairs at Calpine Corp. and president of Texas Competitive Power Advocates, a trade association whose members support a nodal market design. “Meanwhile, opponents such as the Committee of Concerned Loads are relying on misinformation to make their case. They have yet to cite any independent studies or data to support their claims against a nodal market design.”

Nodal opponents fail to recognize the numerous, documented drawbacks to the zonal market design system that is now in place, including significant transmission congestion costs, inefficient and unnecessarily costly dispatch of generation, inadequate price signals and reliance on inefficient, polluting plants.

“Excessive reliance on inefficient plants is one of the biggest signs that the current market isn’t working as well as possible,” Taylor said. “This inefficient dispatch causes Texas electric consumers to pay more than \$1 billion a year in unnecessary production costs.”

With the start of competition in 1999, utilities no longer were paid to install power plants; instead, other companies invested billions of dollars building new, clean efficient power plants to compete with existing ones.

“Due to the current market design, however, many of these plants are seriously underutilized, limiting their owners’ ability to recover the value of their investments,” Taylor said. “The nodal market design ensures that the lowest cost, most efficient plants are utilized to capacity. Only in that way can Texas encourage investors to build additional generating plants in this state and avoid the problems that a shortage of power can cause.”

Adoption of a nodal wholesale electricity market design is under consideration by the Public Utility Commission of Texas (PUC) and could be implemented by October 2006. In addition, several bills pending in the Texas Legislature address the transition to a nodal market design.

Under a nodal market design, electricity prices are calculated on a nodal – or locational – basis according to each local area’s actual electricity usage, generation capability and transmission constraints.

A nodal market design is already successfully in place in parts of the Midwest, New York, New England and much of the Eastern seaboard. California plans to implement a nodal market as soon as it can to replace its current, fatally-flawed zonal market, the only market in the United States similar to Texas’ zonal market.

Among the data in support of a nodal market design is an independent report that shows a nodal market design could:

- Reduce the cost to serve Texans by \$8 billion over 10 years.
- Save another \$1.2 billion statewide in annual electricity production costs as more efficient plants are called on to generate electricity.
- Reduce nitrogen oxide (NOx) emissions statewide by 32,700 tons over 10 years by increasing reliance on more efficient, less polluting plants – the equivalent of taking 1.2 million cars off the road each year.

In addition, published market monitor reports from every other nodal market in the United States show that prices for consumers have fallen significantly every year since those markets opened, when those prices are adjusted for the skyrocketing cost of natural gas, used for fuel in many generating plants.

A nodal market design for Texas has been supported in recent months in the following independent reports (all are posted on the TCPA Web site www.competitivepower.com):

- Interim committee reports issued by the Texas House Regulated Industries Committee and the Texas Senate Business and Commerce Committee
- Market Restructuring Cost Benefit Analysis by Tabor Caramanis & Associates and KEMA Consulting Inc.
- 2004 Assessment of the Operation of the ERCOT Wholesale Electricity Markets by Potomac Economics
- 2003 State of the Market Report for the ERCOT Wholesale Electricity Market by Potomac Economics.

“It is very disappointing that some nodal opponents now are attempting to persuade our elected state officials and utility regulators with unfounded accusations instead of verifiable facts,” Taylor said. “TCPA is confident that the Texas Legislature and the Public Utility Commission of Texas will reach their conclusions about a nodal market design after a careful and thorough analysis of all data.”

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.