



Texas Competitive Power Advocates

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KEY TEXAS HOUSE COMMITTEE REPORT SUPPORTS NODAL MARKET DESIGN

The Texas Legislature “should insist” that implementation of a more efficient way to price wholesale electricity remain a “significant priority” for the Electric Reliability Council of Texas (ERCOT) in order to better serve Texans, concludes a major study issued Thursday by the House Committee on Regulated Industries – a position that echoes that of Texas Competitive Power Advocates.

The legislative report supports the transition to a nodal market design in which electricity prices are calculated on a nodal – or locational – basis according to each local area’s actual electricity usage, generation capability and transmission constraints.

Under the change – now being studied by the Public Utility Commission of Texas (PUC) – ERCOT would join other competitive electricity markets in the United States and transition from the current zonal market design to a nodal market design.

Texas Competitive Power Advocates, a trade association whose members support a nodal market design, commended the work by the House Regulated Industries Committee, chaired by Rep. Phil King (R-Weatherford).

“Texas Competitive Power Advocates appreciates the hard work by Chairman King and the other committee members to study this complex issue,” said William Taylor, vice president of government and regulatory affairs at Calpine and president of TCPA. “The committee’s report certainly validates TCPA’s viewpoint that a nodal market design will best serve consumers and ensure the long-term stability of our state’s electric system. In addition, the committee’s endorsement of nodal provides support for the PUC to continue moving toward a planned October 2006 implementation of this new market design.”

The committee report states that transition to a nodal market design would allow better utilization of the state’s most efficient power generation units, reduce dependence on old, inefficient, polluting power plants, and enhance competition in the electric power industry market and improve reliability by aligning market incentives with the needs of ERCOT’s system operators. In other words, the new market design would achieve the most economic dispatch of the state’s power generators.

“Members of this committee believe it is in the best interest of the citizens of Texas that this process continue to move forward undeterred, so that they may benefit from a market model that employs the economic dispatch of resources and ensures the long-term electric reliability in

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ERCOT,” the report states.

The committee’s report also discounts concerns raised by nodal opponents regarding new infrastructure in the Dallas/Fort Worth area. New infrastructure investment in D/FW could be achieved with existing emissions reductions credits and newer, cleaner, modern technology, if the wholesale power market were properly structured.

The Regulated Industries Committee was charged during the legislative interim by House Speaker Tom Craddick to study “the process of economic dispatch and what changes can be made to the electric utilities market that would reduce both the costs and pollution associated with inefficient power plants” before the Legislature convenes in January.

The committee’s report can be found on the House Regulated Industries Committee section of the Texas House of Representatives Web site, www.house.state.tx.us.

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.

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