Electric Utility Restructuring Legislative Oversight Committee

FOR IMMEDIATE RELEASE
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WHY THE GRINCH WON'T STEAL CHRISTMAS IN TEXAS

By State Sen. David Sibley and State Rep. Steven Wolens

Some Californians may spend the holidays huddling for warmth around their dark Christmas trees, the only light coming from the candles of Hanukkah menorahs. A continuing short power supply and an overwhelming demand for electricity -- an unintended consequence of California's foray into electric deregulation -- show no signs of letting up this winter.

California is headed toward an unprecedented power crisis. State energy officials recently called its first-ever Stage Three power emergency, declared when operating reserves fall below 1.5 percent and resulting in rotating blackouts temporarily cutting off power supplies.

Some have termed it "The Grid That Stole Christmas" as unseasonably cold temperatures and the widespread use of holiday lights have drained energy reserves and caused a shortage of electricity across the state's power grid.

For Californians, it's a continuation of last summer's woes, when consumers who cranked up air conditioners to stay cool received enormous electric bills and suffered temporary breaks in service.

Needless to say, Californians have been less than satisfied with their state's conversion to a deregulated electric market. The daily reports of these problems in the media have led some Texans to question whether new state legislation to open Texas power markets to competition could lead to similar problems in our state.

Texas lawmakers in 1999 passed the Texas Electric Choice Plan (Senate Bill 7). Although the market does not open to competition until Jan. 1, 2002, when most consumers will be allowed to choose their electric provider, the phase-in began Sept. 1, 1999, when electric base rates were frozen.

The problems that have plagued California will not occur in Texas. While both Texas and California "deregulated" or "restructured" their electric industry, how it was done and the market in which it was done could not be more different. The main differences between the two states are in the areas of generation, retail markets and wholesale markets.

California's primary problem is that it does not have enough generation plants to meet consumer demand for electricity. Only two new power plants have been built in the state since 1995, while the population and the economy have boomed.

By contrast, Texas' attractive market and regulatory climate have spurred the building of generation plants. While it can take seven years to get a new plant on-line in California, streamlined procedures in Texas reduce the timeline from drawing board to plant opening to only about 2 1/2 years. Since 1995, 22 new power plants have come on line in Texas. Another 15 plants are under construction, and 33 plants are in the planning stage.

Although Texas and California have similar sized electric grids and similar growth in power demand growth, Texas has put more than eight times more power on line between 1996 and 1999 than California has added.

New plant construction, coupled with new transmission lines across Texas, will allow power generators to easily meet the needs of consumers and businesses in our state.

Another difference between the two state laws is that Texas enacted strong measures to protect consumers during the transition to a fully competitive retail market. These measures will keep a lid on electric rates so Texas consumers won't see their bills double or triple, as happened last summer in the San Diego, Calif., area.

Most residential and small commercial customers in Texas will see their rates automatically drop 6 percent on Jan. 1, 2002. This rate will be available for at least five years through their current electric providers. Competing companies will be able to offer even lower rates to customers who take the time to shop around for the best deal.

Finally, lawmakers in the two states took different approaches to structuring the wholesale power market. In California, the procedures for bulk power purchases mean that utilities, and therefore the consumer, will always pay an unnaturally high price. The system also encourages price spikes during peak demand periods. In Texas, power generators and retail electric providers will be able to negotiate wholesale power purchases for the lowest price, which will benefit the consumer.

During the next year, as the time approaches for the electric market to fully open to competition, we will be closely watching as the Public Utility Commission implements Senate Bill 7. We want to make sure we don't see a repeat of California's problems.

We hope Texans will enjoy this holiday season. Our state will not face the holidays without the twinkle of lights nor suffer a blistering hot summer without the cold blast of air-conditioned air.

State Sen. David Sibley, R-Waco, and State Rep. Steven Wolens, D-Dallas, authored Senate Bill 7, the Texas Electric Choice Plan. The two lawmakers are co-chairmen of the Electric Utility Restructuring Legislative Oversight Committee