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## Policy Official Lauds Energy Deregulation

Most Texas consumers likely are still pretty much in the dark about the intricacies of the proposed private-equity buyout of TXU and the eventual impact the deal might have on their electric bills even though the company has promised to lower rates.

News reports say TXU hopes to close the sale to Kohlberg Kravis Roberts & Co., Texas Pacific, Goldman Sachs, Lehman Brothers, Citigroup and Morgan Stanley in the second half of this year. The sale would need the approval of holders of two-thirds of TXU shares.

The proposed buyout came at a time complaints about prices, market power and consumer choice were hot Texas electric market topics, along with environmental concerns and debate over the impact deregulation was having in the state.

This topic likely will continue to be in the headlines for some time to come.

Concern that all of the attention and uproar over TXU could have an undesirable impact on the state's transition from a regulated to a competitive marketplace is expressed by Bill Peacock of the Texas Public Policy Foundation. He is director for the Foundation's Center for Economic Freedom.

A particular cause for worry, he said, is legislation currently under consideration that "would thoroughly undermine the nation's best electric market by turning away from this approach. It would prescribe how, when and where market participants compete, and deny consumers the ability to make choices."

Despite complaints claiming the transition has not worked well and electric power prices are higher than ever, Peacock contends it is working and will get better. The facts "show a very different picture than what most people are trying to paint," he said.

In a comprehensive Foundation study of Texas electric markets, Dr. Robert J. Michaels, professor of economics at Cal State Fullerton, found that "Texas is competitive electricity's greatest success story in the United States, if not the world."

"Furthermore," wrote Michaels, "competition has brought substantial benefits to Texas in only a few years, both in absolute terms and relative to other states. Innovations planned for 2009 will further improve investment choices and power pricing, and institutions put in place by the Texas Public Utility Commission can sustain competitive markets into the future."

With competition, plans available to consumers have doubled in less than a year, with at least 17 providers in every market.

There was a price spike, Peacock acknowledged, mostly because of hurricanes, increases in natural gas prices, a hot summer, and the Price to Beat. Now that gas prices have stabilized and the Price to Beat has expired, electricity prices are dropping rapidly.

Some incumbent providers offer relatively high prices, he added, "But consumers are choosing to pay those prices."

Therein lies the major problem with the argument for re-regulation, he pointed out. Texas has the most competitive, mature retail electric market in the United States, yet critics blame retail providers for high electric rates even though they only get by with such rates because consumers willingly pay them.

A lot is at stake in the debate over re-regulation, Peacock explained. He credits deregulation in various markets that has created an affordable, reliable electricity supply and a business climate "second to none" for a Texas job rate growth twice the national average.

"If we turn our back on deregulation in the electric market, Texas jobs are in jeopardy," he said. "Texas got electric deregulation right where other states got it wrong because we set general rules for the market and were willing to let competition work within those rules."

Texans have the power of choice, but stand to lose it unless they use it.

Peacock sums up the case to keep deregulation: "We can opt for markets and affordable, reliable electricity, or for heavy-handed regulation and California-style rolling blackouts. The power to choose is ours."

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