

Consumers win with competition in electricity

by Nick Dranias, Andrew N. Kleit and Bill Peacock
- Jan. 9, 2010 12:00 AM
Our Turn

In a December 19 column, "Poor results don't deter utility free-market promoters," Bill Meek, the retired head of a statewide association of utility investors, makes a number of false and misleading statements regarding professor Andrew Kleit's Dec. 8 column ("Texas plan would spark energy grid"), which discussed the benefits of restructuring Arizona's electricity markets for competition.

Meek claims the Arizona Supreme Court has ruled against competitive pricing in electricity. Not true. The Supreme Court has never reached the issue - a lower court did. There is every reason to believe the Supreme Court would embrace competition in electricity pricing, just like it did in telecommunications.

Meek claims that prices in Texas - where electricity competition is the rule - are five-times higher than the national average. Not true again. Today, Texas electricity prices are about 2 percent below the national average.

Meek also suggests that electricity prices have risen dramatically in Pennsylvania since competition has been in place. But they haven't. In 1998, regulators froze the price of electricity to ease the transition to a competitive market. Now that competition has taken hold, these price caps will be lifted and average prices are anticipated to increase 25 percent.

But this increase is 40 percent less than the 41.6 percent increase in average national electricity prices since 2001. Prices in Pennsylvania would have been far higher today if the state had not restructured its electricity markets for competition.

We shouldn't look only at average statewide prices, because in Texas' maturing competitive electricity market, the true test is the best price consumers can find. While national electricity prices have risen 41.6 percent since 2001, the average rate offered by the 15 most competitive electricity suppliers in Texas has only increased 5.7 percent.

And taking inflation into account, Texans who hunt for the best deal can purchase electricity today for as much as 11.3 percent below 2001 prices. Arizonans, by contrast, have no choice but to pay the inflated price they're given.

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It is no wonder that more than 80 percent of Texans (not the "less than 40 percent" that Meek claims) have switched to a competitive supplier. Consumers win big from competitive electricity markets. Everyone benefits from the lower average prices produced by competition.

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