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Texas utility commission to weigh changes to market

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By [AP](#)

AUSTIN (AP) — The Texas Public Utility Commission was scheduled Tuesday to hear arguments for changes to the wholesale electricity market brought on by escalating risks that include significantly higher caps on prices.

New rules that nearly double the price a generator can charge per megawatt-hour during peak demand periods could mean devastating losses to utilities that must buy power when their equipment fails.

The Austin American-Statesman reported Monday the average price for a kilowatt-hour is around \$28 throughout the year, but the current cap allows generators to charge up to \$5,000 during the hours of highest demand like in sweltering summer afternoons. The new cap, set to be in effect in 2015, will raise that to \$9,000.

During the 2011 heat wave, after failures in its generators, Austin Energy had to pay \$20 million to buy emergency power at prices 50 times higher than the yearly average.

Electricity generators favor the creation of a market in which providers would bid to offer capacity energy instead of relying on higher caps as an incentive for generators to install more power plants. Recently, the price of wholesale energy has been too low to encourage investments in new power plants. Meanwhile, price spikes are too few and far between to offset that.

Lawyers for the H-E-B supermarket chain, among others, argue the adoption of a capacity market would immediately raise prices. Others, like the Sierra Club, advocate for a higher contribution of wind generation to the electricity market, while the Texas Public Policy Foundation, a conservative think tank, says subsidies to wind farms along with caps on peak prices are unwanted government intervention. A capacity market would only add to the problem, they say.

All parties will have the opportunity to present their cases to the commission, including the newest member, Brandy Marty, appointed by Gov. Rick Perry in August.

The commission chair, Donna Nelson, has spoken in favor of a capacity market, while Commissioner Ken Anderson argues that tweaking the current market would be better. Marty is seen as the tiebreaker in the issue.

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