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Study Concludes Retail Competition Has Applied Downward Pressure On Residential Prices in Texas' Competitive Retail Electric Market

Significant Rise in Price of Natural Gas and Other Factors Key Contributors to Increase in Retail Electric Prices Since 2002

Price of Generation Service Included in Overall Price of Residential Electric Service Has Decreased 13 Percent in Dallas and Houston Areas Since Competitive Market Began in 2002

AUSTIN, Texas – December 2, 2008 – Retail electric competition in Texas has applied downward pressure on the price of electricity for residential customers, according to a new study by Intelometry, Inc., entitled *Texas Retail Electric Competition: Impact on Residential Prices 1995 – 2008*. The study compares the price of generation service in the regulated rates of three electric utilities from 1995 to 2001 with the price of generation service in competitive residential prices offered by retail electric companies from 2002 through August 2008. In both regulated and competitive electric markets, the price of generation service is the primary component in the overall rate or price of retail electric service.

The study finds the primary price component decreased as much as 13 percent in the 2002-2008 period, following the inception of retail electric competition in Texas in 2002. For the three utility service areas analyzed, the study calculated the following price decreases:

- In the area served by CenterPoint, which encompasses Houston and surrounding areas, the price decreased by 13.87 percent;
- In Oncor's service area, which covers Dallas and other regions in North Texas, the price decreased 13.07 percent;
- In the area served by AEP Texas Central Company, which encompasses Corpus Christi and other parts of South Texas, the price decreased by 2.67 percent.

“Our goal was to achieve a fair and accurate comparison between what residential customers in Texas paid for electricity before and after competition began,” said Jeff Merola, a vice president with Intelometry. “To compare regulated utility rates for residential service charged before 2002 and competitive prices available to residential customers in the market afterwards, we isolated the price of generation service in each of the two periods. We then adjusted the price component to account for three critical factors affecting retail electric prices that exist independent of retail competition: inflation, changes in the price of fuel used to generate power, and changes in the state-regulated charges for the delivery of power across transmission and distribution wires. The principal adjustment we made accounted for changes in the price of natural gas.”

“Ultimately, we found retail electric competition to be good for Texas,” added Merola.

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Although the study shows retail electric competition in Texas has applied downward pressure on the price of electricity for residential customers, it also notes that the overall price of residential electric service has increased since the competitive market began in 2002. The study attributes this overall price increase to factors other than retail competition, notably the significant increase in the price of natural gas since 2002. The price of natural gas in August 2008 was more than three-and-a-half times the fuel's price in January 2002. According to the study, retail electric prices have increased as the price of natural gas has risen because natural gas is the predominant fuel source used to generate the electricity consumed in the state's competitive retail market.

Competition has also brought innovation to the Texas market, the study said. Consumers benefit from service and pricing options that did not exist before Texas moved to a competitive market in 2002.

"This study confirms what retail electric companies competing in Texas have said for some time – the competitive market works to the benefit of consumers in this state," said Steve Davis, president of the Alliance for Retail Markets. "The price benefit identified by the study is an important indication of the success of the Texas market."

Key observations of the study include:

- 1) Retail competition affects the price of generation service that is included in the overall price of retail electric service. The price for the delivery of electricity is also included in the overall price of retail electric service, but it is not affected by retail competition because the Public Utility Commission of Texas sets the level of the delivery price in regulated "wires charges."
- 2) Natural gas accounts for approximately 70 percent of the generation supply in the ERCOT region.
- 3) At its peak, the price of natural gas increased more than five-fold in comparison to the price in January 2002.
- 4) In October 2008, Dallas and Houston area residents could choose from more than 80 electricity products offered by approximately 25 different retail electric providers, including multiple 100-percent renewable energy options.

To download a full copy of the report, please visit: <http://www.allianceforretailmarkets.com/studiesreports.html>.

About The Alliance for Retail Markets

Founded in 2001, ARM is a member-driven advocacy organization of retail electric providers that advances the competitive retail electric market in Texas. Members include ConEd Solutions, Constellation NewEnergy, Direct Energy, Gexa Energy, Green Mountain Energy Company, Integrys Energy Services of Texas, Liberty Power, Sempra Energy Solutions LLC, Strategic Energy, Stream Energy, and SUEZ Energy Resources NA, Inc. For more information, visit: www.allianceforretailmarkets.com

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