THE RETAIL ELECTRIC MARKET IN ERCOT

2017

ASSOCIATION OF ELECTRIC COMPANIES OF TEXAS, INC

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Areas of Texas Open to Retail Competition

AECT Members’ Retail Electric Providers

- Cirro Energy
- Constellation
- Gexa Energy
- Green Mountain Energy
- Pennywise Power
- Reliant
- StarTex Power
- TXU Energy
Wholesale competition legislation passed (SB 373)  
May 1995

Retail competition legislation Passed (SB 7)  
June 1999

ERCOT Electric rates frozen  
Sept. 1999

Texas Choice pilot program begins  
July 2001

Retail choice begins in ERCOT  
Jan. 2002

Affiliate REPs allowed to offer non-price-to-beat prices  
Jan. 2005

End of price-to-beat  
Jan. 2007
ERCOT ROLES AND RESPONSIBILITIES

ERCOT: By the Numbers

- 90% of the electric load in Texas is in ERCOT
- 75% of ERCOT’s load is in the competitive market, including 7 million meters
- Over 550 generating units, providing 77,000 MW of generating capacity during peak demand
- 46,500 miles of high-voltage transmission

ERCOT Responsibilities

- System reliability – planning and operations
- Wholesale market settlement for electricity production and delivery
- Retail switching process for customer choice
- Open access to transmission

ERCOT region
SB7 CREATED A **ROBUST AND COMPETITIVE MARKET**
ERCOT Coordinates Among Stakeholders to Support Customer Switching Transactions
On average, Texas residential customers use **DOUBLE** the electricity of California residential customers every month.

Source: EIA
Texas Leads U.S. Job Growth

Job Growth by State: 2004-2014

- Texas: 2,180,000
- California: 810,000
- New York: 550,000
- North Carolina: 340,000
- Washington: 320,000

Source: State Demographer, Texas Demographic Center
BIG STATE, BIG CONSUMPTION

United States
China
Japan
Russia
Germany
Canada
India
France
Brazil
South Korea
United Kingdom
Texas
Italy
Spain
Australia

Source: EIA
ROBUST SMART METER INFRASTRUCTURE DRIVING INNOVATION AND ENGAGEMENT
TEXAS IS HIGHLY COMPETITIVE

- 6 Regions
- 7 Million Meters
- 60+ Competitors
- 300+ Plans per region
THE CUSTOMER-LED MANDATE

Choice

Convenience

Control

Choice

Convenience

Control

Chat with a Representative
BENEFITS OF THE COMPETITIVE ELECTRIC MARKET

DATA HIGHLIGHTING THE GROWTH AND SUCCESS OF RETAIL SHOPPING IN ERCOT
## Customers Have Many Low Offers Available

<table>
<thead>
<tr>
<th>Service Area</th>
<th>January 2017</th>
<th>December 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEP Texas Central</td>
<td>9.4¢/kWh</td>
<td>5.0¢/kWh</td>
</tr>
<tr>
<td>AEP Texas North</td>
<td>9.4¢/kWh</td>
<td>5.6¢/kWh</td>
</tr>
<tr>
<td>CenterPoint Energy</td>
<td>8.8¢/kWh</td>
<td>4.8¢/kWh</td>
</tr>
<tr>
<td>Oncor</td>
<td>8.2¢/kWh</td>
<td>4.4¢/kWh</td>
</tr>
<tr>
<td>TNMP</td>
<td>8.6¢/kWh</td>
<td>5.0¢/kWh</td>
</tr>
</tbody>
</table>

Sources: PUC Historical Data, Bureau of Labor Statistics Inflation Calculator (33.0% inflation since December 2001); www.powertochoose.org offers as of January 2, 2017
<table>
<thead>
<tr>
<th>Product</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ground Beef</td>
<td>115%</td>
</tr>
<tr>
<td>Gallon of Gas</td>
<td>98%</td>
</tr>
<tr>
<td>Hourly Legal Services</td>
<td>66%</td>
</tr>
<tr>
<td>Dozen Eggs</td>
<td>50%</td>
</tr>
<tr>
<td>U.S. Average Residential Electricity</td>
<td>49%</td>
</tr>
<tr>
<td>Houston-Galveston Rent</td>
<td>49%</td>
</tr>
<tr>
<td>Ground Coffee</td>
<td>48%</td>
</tr>
<tr>
<td>Loaf of White Bread</td>
<td>34%</td>
</tr>
<tr>
<td>Dallas-Fort Worth Rent</td>
<td>28%</td>
</tr>
<tr>
<td>Gallon of Milk</td>
<td>14%</td>
</tr>
<tr>
<td>ERCOT Average Lowest Variable Offer</td>
<td>-27%</td>
</tr>
<tr>
<td>ERCOT Average Lowest 1-Year Fixed Price Offer</td>
<td>-49%</td>
</tr>
</tbody>
</table>

Sources: Dec 2001 electric rates: Public Utility Commission of Texas; October 2016 electric rates: Power to Choose for 1,000 kWh/usage with no usage fees or credits; Average Residential Electricity: EIA (Dec 2001 and October 2016); All other data: U.S. Bureau of Labor Statistics
THE NUMBER OF COMPETITORS AND OFFERS HAS INCREASED


# of Offers¹ >

10 REPs
11 Offers

11 13 14 18 45 90 97 136 258 264 276 335 305 394 378 365


10 10 11 11 17 28 26 32 43 43 52 53 49 56 53 54

# of REPs >

1. Number of residential offers in Oncor area at year-end

Choice is available to 100% of the competitive ERCOT market, and virtually all consumers have exercised their power to choose electric providers. ERCOT has processed ~42 million choice transactions (~6 per meter) since the market opened.

1. ERCOT Monthly Retail Reports. 42m choice transactions ÷ ~7m competitive ERCOT meters = ~6 choice transactions per customer.
ELECTRIC PRICE COMPARISON TO NON-COMPETITIVE AREAS IN ERCOT

Percent Change In Texas Residential Retail Electric Prices
February 2002 – Q1 2016 (latest available consistent data)¹

Percent (%)

REPs in Competitive Areas

Texas Munis

Texas Co-ops

1 For residential customer using 1,000 kWh; depicts latest available consistent data for end points. From left to right: Competitive Areas – AEPC, AEPN, TNMP, ONCOR, CNP; Munis – Austin, San Marcos, CPS Energy; Co-ops – Victoria, Upshur Rural, Magic Valley. Competitive areas show percent change in average 12 month fixed offer.

Sources: Public Utility Commission of Texas; www.powertochoose.org
As the competitive market has matured, customer complaints have fallen.

REPs compete on customer service as well as price and other attributes, contributing to lower PUC complaints.

Source: Regulatory Compliance Services; includes all electric industry complaints.
HOW TO REACH US

AECT.NET
For background on electric markets, environmental data and Electricity 101

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