

Opinion-Editorial



GIVE AUSTINITES AN ELECTRICITY CHOICE

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COLYANDRO, ALDRED: GIVE AUSTINITES AN ELECTRICITY CHOICE

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At an Austin City Council meeting last Thursday, Austin Energy customers protested proposed electric rate hikes by the utility.

Faced with a proposed 12 percent across-the-board increase that will affect the 400,000 residences, businesses, and other customers served by the utility, dozens of customers spoke in opposition to the rate increase.

What might frustrate the customers of Austin Energy as much as the rate hike itself is the lack of choice that they are given over who provides their electricity.

The American-Statesman's Marty Toohey quoted Gene Chappell of Hillcrest Baptist Church arguing that "a church is not a commercial entity. ... We can't charge (church members) more to come see us on Sunday."

What's implied but left unsaid in these remarks is that the church cannot change its electricity provider, either.

Hillcrest and Austin Energy's 400,000 other customers are stuck with whatever rate the utility chooses to levy and the city leaders approve.

But it does not have to be this way. The lack of choice of electric provider in Austin has its roots in the state's partial deregulation of the retail electric market in 1999, when most of the state's largest urban areas — including Dallas-Fort Worth and Houston — were thrown open to competition, yet other major urban areas were left out.

Most significantly, Austin and San Antonio were excluded. As a result, electric consumers in Austin are stuck with Austin Energy, just as consumers in other parts of the state that were not opened to competition are stuck with similar monopolies.

Providers in competitive parts of the state must continually respond to market pressures as they work to attract and retain customers who are able to choose their electric provider based on price as well as other factors such as service quality, reliability and even the fuel mix used to generate the electricity they purchase.



Studies such as the Annual Baseline Assessment of Choice in Canada and the United States show that where a choice of electric provider is available, about three-quarters of businesses and one-half of residential customers choose to switch their electric provider.

However, while the primary benefit of competition is the choice that is offered to consumers, it is also evident that the competitive parts of the state have some of the lowest electric rates in the country.

Data from the Public Utility Commission of Texas and the U.S. Energy Administration compiled in August 2011 show that residential retail electric prices available in Texas are below the national average. In particular, offers or competitive prices available in Dallas-Fort Worth, Lewisville, Abilene, Houston, and Corpus Christi are among the lowest in the entire nation.

The competitive market provides a clear incentive for retail electric providers to offer low, attractive prices to their customers. Lower prices (or at least the choice not to stick with Austin Energy's rate hike) would create an obvious benefit for residential customers, but would also boost Austin's economy since lower electric rates are a boon for businesses that have to watch every penny they spend to keep the lights on.

In contrast, as the Statesman noted Monday, a study into Austin Energy's finances shows that "operating costs rose 24 percent from 2007 to 2010, not counting the rising cost of the fuels that feed its power plants." The study (for which Austin Energy paid \$281,000) paints a picture of profligate spending by the utility on "green" energy initiatives — such as subsidization of electric vehicle charging stations (\$28 million) and buying expensive power from a wood-burning plant in East Texas (\$2.3 billion) — that its customers do not want or cannot afford. Of course, the proposed rate hike will begin to take care of that problem, but only because customers are denied the choice to change electric providers.

The bottom line is that the government should not be in the power business. It is time to give all electric customers a choice: Austin Energy's proposed rate hikes demand that legislators give all Austin-area consumers the ability to choose their electric provider.

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