

# Restructuring Today



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## Malloy sees Texas leading in retail power

Texas is now at the head of the class as number one among competitive electricity markets in the US.

So said Center for the Advancement of Energy Markets (CAEM) CEO Ken Malloy at the Peak Load Management Alliance meeting in Arlington, Va, this week.

"But it's a pretty stupid class," he added.

CAEM's RED Index rates electricity and soon gas markets around the world. England, New Zealand and Australia are high up on the list, as is Texas.

Ontario slid into obscurity after the province capped its retail at sub-wholesale rates.

The sad truth is that in the war for competitive energy markets, "we're losing," Malloy lamented.

That's amid a lot of bad news like price volatility that disappointed consumers oversold on lower prices.

Malloy cited too the California crisis and what he calls the Bush administration's disappointing attempt at energy policy.

Add to that 9/11 that diverted attention to security issues, the decline in Pennsylvania's competitive market — once lauded as the "Golden Child with 45% of load shopping — and being stuck in an endless transition phase where industry and policy makers are "paralyzed by uncertainty," Malloy noted.

Competitive markets are losing the war because nobody is presenting a "compelling value proposition" to the public, Malloy explained.

"I blame Enron for that," Malloy said.

As putative flagbearer for competition, Enron "didn't develop the musculature of influence."

And nobody in his view has stepping up to the plate to make the case to the public.

Consumer Reports' article panning competition did some damage.

For good news he listed good FERC appointments, PJM is working well, Texas is generating excitement, NAESB is "doing a great job" that will have a huge impact and competitive gas markets are the ...

... "silent success story," he added.

The best competitive retail market in the world may be Georgia where multiple suppliers are vying for customers and the utility is out of the merchant business except for its marketer.

**BOTTOMLINE:** We can well understand Malloy's disappointment but fortunately America is not alone in the world. Down the road Texas will come to terms with flaws in its system (PUC-fixed prices), having incumbents as marketers). Over time the word will get out as to how California shot itself in the foot with that FERC's approval in the 1990s. Europe will have setbacks and advances that Americans can learn from. If competition is a better way than "regulated" monopoly finagling creative prices from state government employees, the outcome is inevitable. What we don't know is the timing.

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