

Public Utility Commission of Texas **Electric Competition**

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Customer Choice

Texas' retail electric market is now open, giving most customers of investor-owned electric utilities the power to choose a new electric company. The new law is designed to give customers greater control and lower the price of electricity over time, make new services and products available, and assure continued reliable service.

Customers who did not choose a new retail electric provider (REP) by January 1, 2002 were transferred automatically to their utility's affiliate retail electric provider in January 2002. Residential and small non-residential electric customers (with a peak demand of 1 megawatt or less) who remain with the affiliate REP will get a regulated rate, called the "price-to-beat." Large commercial customers who do not sign a contract with a competitive REP may negotiate rates and terms of service with the affiliate REP.

The affiliate REP will not require non-choosing customers to sign a long-term contract. These customers may choose a different REP at any time and will be switched on their meter reading date after they sign up with a competitive REP.

The PUC's [Texas Electric Choice](http://www.powertochoose.com) (www.powertochoose.com) website now has an easy way to compare offers of REPs. Visit the "Choose Now" section and enter your Texas ZIP Code to find out who is providing service in your area and to compare prices, terms of service, sources of power generation, environmental information and more.

No matter which electric provider you choose, the PUC will continue to ensure that electricity is delivered safely and reliably. A local transmission and distribution service provider, or "wires company," which is part of your old utility, will continue to maintain the quality of your electric service and respond to outage reports.

Which areas are open for Electric Retail Competition?

Customers in these utility service areas may choose a competitive REP:

- TXU Electric (Oncor)
- Reliant HL&P (Centerpoint)
- Texas-New Mexico Power Company
- TXU Southeastern Electric Company (SESCO)
- West Texas Utilities
- Central Power and Light
- Sharyland

Extended Pilot Program

Up to five percent of each customer class served by these utilities may participate in the Pilot and choose a competitive REP.

- Entergy
- Southwestern Electric Power Company (SWEPCO)

Competition Delayed

Customers in these utility areas will continue to receive electric service from the local regulated investor-owned electric utility.

- El Paso Electric--Senate Bill 7 exempted EPE from electric restructuring until at least 2005
- Southwestern Public Service-- House Bill 1692, passed by the Texas Legislature in 2001, exempted SPS from electric restructuring until at least 2007.

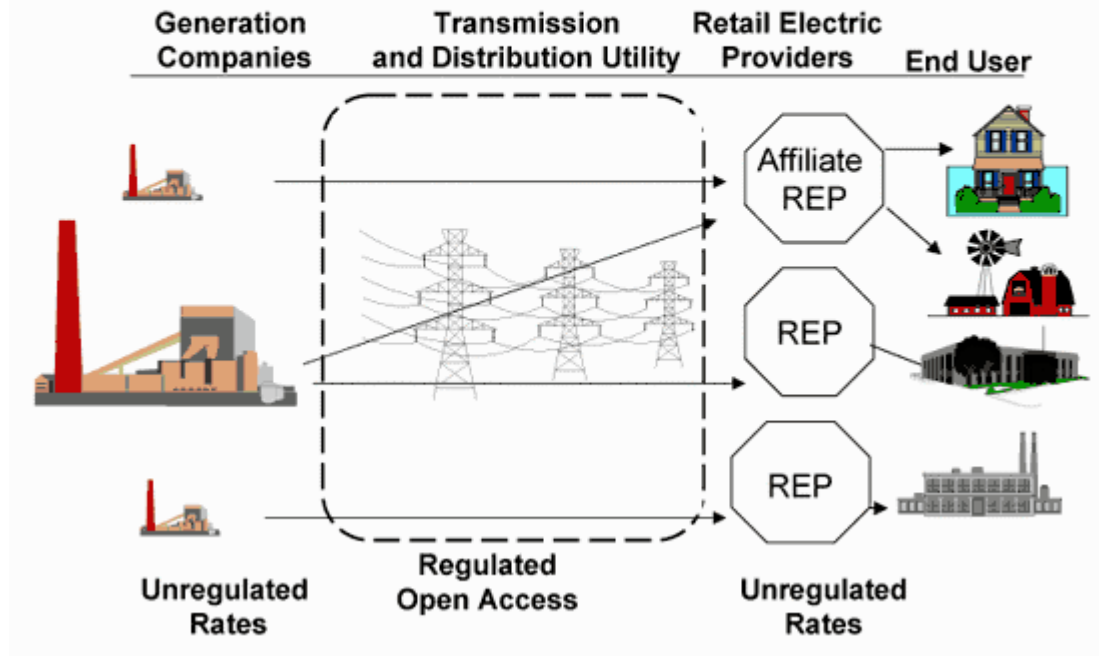
Opting In to Competition

The state's [76 cooperatives and 85 municipally-owned utilities](#) now participate in the competitive wholesale market, but can choose whether and when to open their systems to retail competition. Customers of cooperatives and municipally-owned utilities should contact their local company to obtain more information.

How Restructuring Works

In the restructured electric market, a residential or commercial customer can choose among competing retail electric providers (REPs). REPs will buy wholesale energy from competing power generation companies (PGC) and pay a "wires fee" to the regulated local transmission and distribution company to deliver the power to retail customers.

January 1, 2002 Restructured Electric Market



All REPs are required to obtain a certificate from the Public Utility Commission of Texas (PUC) using the Commission's prescribed form. The [application, instructions, rules and database of approved REPs](#) are available on the PUC website.

A PGC generates electricity and sells it for a wholesale price to REPs. PGCs do not own transmission or distribution facilities or have a certificated service area. "Power generation company" includes Qualifying Facilities (QFs), Exempt Wholesale Generators (EWGs), and IPPs (Independent Power Producers), and other self-generators.

All PGCs are required to register with the PUC, using the commission's prescribed form. Companies that were previously registered under the old PUC Substantive Rule 25.105 were required to re-register before January 1, 2001. The [registration form, instructions and database of approved PGCs](#) are available on the PUC's website.

The REP could offer its energy in a variety of ways. It could offer electricity produced from renewable resources or Texas natural gas, combine it with energy conservation and efficiency improvements or ultra-reliable premium power quality, guarantee stable monthly energy bills, or bundle energy services with telephone, alarm, Internet, and other services on a single monthly bill.

The objective of the Texas restructuring law is to let competitive markets work wherever possible, and to regulate only those electricity functions that are truly monopolistic and require government intervention. Each investor-owned utility within ERCOT was required to separate, by January 1, 2002, into three separate functions: power generation, transmission and distribution (power and delivery), and retail electric provider services. Each of these three functions will have to be operated as a separate company.

Separation of Utility Functions



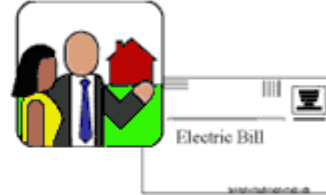
Generation

- Power plant construction
- Power generation
- Fuel purchase
- Power sales and purchase



Transmission & Distribution

- Power delivery
- Read meters
- Line planning and construction
- Reliable system operations
- System maintenance
- Service restoration



Customer Service

- Billing
- Customer service
- Customer education

Independent System Operator (ISO)

The [Electric Reliability Council of Texas](#) (ERCOT) is a non-profit corporation that administers the state's power grid, with oversight from the Public Utility Commission of Texas (PUC). ERCOT charges each market participant an administrative fee for transmission service in accordance with ERCOT protocols, subject to approval by the PUC.

ERCOT is charged with:

- ensuring non-discriminatory access to the transmission and distribution systems for all electricity buyers and sellers;
- ensuring the reliability and safety of the regional electric network around-the-clock;
- ensuring that information related to customer retail choice is provided in a timely manner; and
- ensuring that electricity production and delivery are accurately scheduled among all regional generators and wholesale buyers and sellers.

Most of Texas is in Electric Reliability Council of Texas (ERCOT) power region, but the panhandle, El Paso area and eastern parts of the state are part of the other power regions. For a power region outside of ERCOT the requirement to establish an independent organization is considered to be met if FERC approves a regional transmission organization (RTO) for the region.

What Remains the Same?

Traditionally, a local electric utility generates electricity or purchases electricity from another

generator and delivers it to homes and businesses.

The transmission and distribution, or actual delivery of energy, will not change. A local electric "wires" company, an affiliate of the former bundled electric utility will still provide energy over the same poles and wires, and will continue to be regulated by the Public Utility Commission of Texas.

The wires company will still remain responsible for service reliability (outages, their frequency and duration) as well as the physical installation or disconnection of service (service drops, as well as line extension in previously unserved areas). The wires company will also continue to read customer meters for the first few years after retail competition begins.

Metering services provided to commercial and industrial customers shall be provided on a competitive basis beginning on January 1, 2004. Metering services provided to residential customers will continue to be provided by the TDSP until the later of September 1, 2005, or the date on which at least 40 percent of those residential customers have chosen competitive REPs.

Each transmission and distribution utility's [rates and tariff for retail delivery service](#) outline their responsibilities for customer interactions.

Call toll-free 1-866-PWR-4-TEX (1-866-797-4839) or log on to www.powertochoose.org for more information about the Texas Electric Choice program.