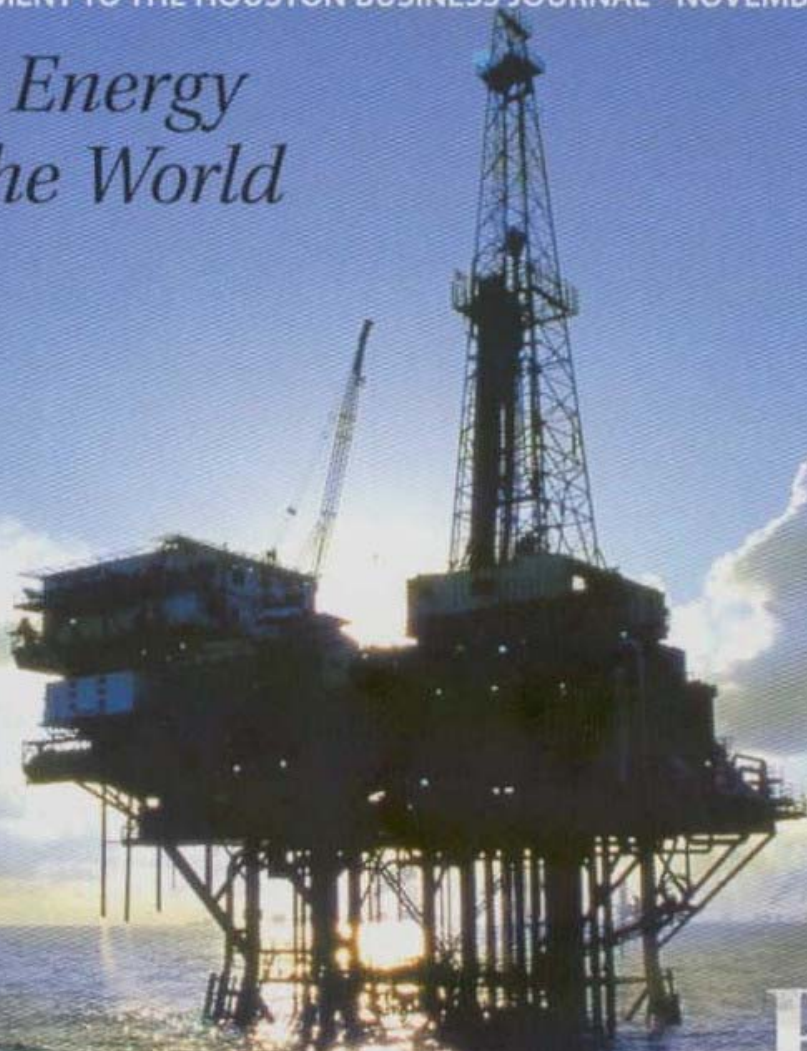


ENERGY

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Energy

March toward competitive retail markets continues

Jo Wyatt is a whiz at spotting ways to reduce expenses. That's what has made her a pioneer in electricity deregulation.

Wyatt, vice president of property management for Moody Rambin Interests, recently executed a unique energy broker-negotiated contract with a retail electricity provider. It enables her to pool the load of the various suburban office buildings she manages and achieve average savings of 12 percent.

But what makes the agreement unique is that Wyatt has retained the ability to move buildings in and out of the pool as she pleases. Currently, 20 of Moody Rambin's 31 properties are in the pool, but Wyatt anticipates adding more in the months ahead.

"We saw that electricity choice might offer opportunities for savings, but we wanted to make sure the savings didn't come at the expense of reliability," says Wyatt. "It seemed complicated to someone like me who was used to paying a monthly electric bill without studying it closely."

Wyatt says her best decision was to link up with an energy broker who could examine her company's needs, draw up a list of requirements and negotiate a contract with a competitive provider. As is standard practice, this personalized service didn't cost Wyatt or her company a penny. The provider funded the services of her energy broker.

Moody Rambin is one of more than a quarter million business and residential customers in Texas that have switched to what the state calls Competitive Retail Electric Providers since the beginning of 2002. The Public Utility Commission of Texas has been an enthusiastic supporter of consumer choice since electricity restructuring legislation was signed into law by then-Gov. George W. Bush in 1999.

Of course, a lot has changed since that bill was signed, including the collapse of California's retail electricity market. As a



ELECTRICITY DEREGULATION

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result, many businesses that have the opportunity to switch electricity providers have been paralyzed by how complicated the decision can get.

That's why energy brokers exist — to act as an expert partner who can assess the unique needs of a business and shape an agreement with one or more providers who can meet those needs at the lowest possible price.

While most businesses are more sophisticated about energy matters than they used to be, it takes a real commitment of time and personnel to track and capitalize on all the subtleties of a deregulated market. Price, while an important consideration, is not the only one. Others include:

- Creditworthiness of the supplier. Nobody has a crystal ball, but a little due diligence into a competitive provider's financial condition can save lots of headaches down the road. One thing that's become evident over the course of the past year is how unpredictable the financial stability of energy suppliers can be. Even the most powerful multibillion-dollar companies aren't necessarily financially stable when subjected to Wall Street's intense scrutiny and tightening credit.

One solution is to keep an eye on emerging trends. For instance, the current environment has facilitated the emergence of a new class of energy providers that are well funded and not affiliated with utilities. Many of these new participants are also privately held — and, consequently, not subject to Wall Street's microscope.

- Ability to perform. Believe it or not, some companies have switched to a competitive provider and have not received a bill for eight or nine months. Just as frus-

trating have been those instances when a company has agreed on a contract but was unable to actually have its account switched.

It's wise to ask for references and check to make sure a provider has a history of switching customers in a timely manner and accurately billing their accounts. Negotiation of a contract is only part of the process. Just as critical as the price and contract terms is the provider's ability to perform.

- Risk management capabilities. Larger and more sophisticated end users with a load greater than 1 megawatt should understand how energy financial instruments, such as futures, over the counter options, forwards, swaps and spreads can be used to hedge their financial risk. The assistance of an independent third party, such as a broker or consultant can be invaluable in such an assessment.

Nearly five years after California became the first state to approve restructuring its electricity market, the industry is far from realizing the full potential of customer choice. Despite scandals that have ruined companies and careers, there are numerous bright spots that illustrate the promise of choice.

Competitive electric markets can thrive, even in this time of turmoil for the industry. To do so, they require government support, integrity and creativity. They also need to win the trust of early adopters who aggressively search for new ways to cut costs. ■

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