



Frequently Asked Questions

Why do we need electric restructuring? If ain't broke, why fix it?

Texas has rates below the national average, but our bills are higher because we use more electricity cooling homes and businesses during the hot summer. So far we have a good supply of electricity but it is taxed during very hot summers like we had in 1998. Many other states now have competition in the electricity market. This should provide lower prices and more service options to business and residential customers, and it also attracts new providers who provide more generating capacity. The Texas legislature decided that a competitive market, with adequate safeguards, would assure Texans of adequate capacity, as well as price and service benefits.

When does electric customer choice begin?

Senate Bill 7, the electric utility industry restructuring bill, was passed by the 76th Legislature and signed into law by the Governor on June 18. Retail choice begins with a pilot program on June 1, 2001. Most Texans will be able to choose a provider after Jan. 1, 2002.

How will electric restructuring affect customers' rates?

Electric rates for residential and small commercial customers of investor-owned electric utilities in Texas will be frozen from Sept. 1, 1999 to Dec. 31, 2001. Rates will be lowered six percent on Jan. 1, 2002.

When will I be able to choose my electric service provider?

Customers will be able to select a provider when competition begins on Jan. 1, 2002.

Will I receive more than one electric bill?

In most cases, customers will receive only one electric bill. The new law requires that the bill be in a clear format with understandable language. However, the bill may look different from today's bills.

Does the new law affect all electric providers?

No. Electric cooperatives and city-owned electric companies are exempt from customer choice unless their governing boards decide to open their markets to competition.

Can I influence the decision of my electric cooperative?

A customer of an electric cooperative is a member of the cooperative and can help elect the cooperative's board members who make those decisions. Talk to your board members and make them aware of your concerns and be sure to vote in board member elections.

Can I influence the decision of my city?

The decision to open a city-owned electric company to competition rests with the city's governing board – your city council. Talk to your council members or attend city council meetings to discuss your views on these issues.

What assurance do I have that my rights as a customer will be protected?

Senate Bill 7 includes a number of customer protections. The Public Utility Commission of Texas (PUC) must implement rules to protect customers as the utility industry switches to a competitive marketplace. The PUC will work with the public, industry representatives, consumer groups and others to write rules that will ensure that customers are treated fairly and have their rights protected.

What rights do I have as a customer?

Your rights as a customer include safe, reliable electricity, simple bills and clear information about rates, terms and conditions. You also have protections from discrimination, against being billed for unauthorized services (cramming) and change of service provider without your permission (slamming).

What is a retail electric provider?

A retail electric provider (REP) is a seller of electricity and other energy services to consumers.

What is a transmission and distribution company?

A transmission and distribution utility provides delivery service to transmit electric power to customers' homes and businesses. In most cases it will be the affiliate of your old utility company.

Who will send me my bill?

Customers will have the option of having all electric service charges on a single bill. In most cases the bill will come from the retail electric provider. Electric cooperatives and municipally owned utilities that opt to compete may continue to bill their customers directly for all transmission, distribution and generation services. Customers served by a cooperative or municipally owned utility for transmission or distribution services and by a retail electric provider for retail service have the option to be billed separately by the cooperative and retail electric provider. Or they may request a single bill from the electric cooperative or municipally owned utility for distribution, transmission and generation services.

Are there any environmental protections in the new law?

Yes. The law requires older electric generators, which often cause more air pollution than new plants, to meet current environmental standards by 2003 or be shut down.

What are stranded costs?

Stranded costs are the costs of power plants that were built by regulated utilities that are more expensive than the plant that can be built today, using new technology. These rates are currently built into today's regulated rates.

What is the Competition Transition Charge?

Utility companies will be allowed to charge customers an additional fee, call the Competition Transition Charge, to recoup stranded costs. These fees may be spread out for up to 15 years and will be charged to existing and future customers of the utility.

Who decided the value of a utility's stranded costs?

That determination will be made by the PUC, not by the utility company.

Is there anything in the new law that will assist low-income families who have trouble paying their electric bills?

The new law creates a System Benefits Fund, part of which will be used to help finance programs to assist qualifying low-income families in paying their electric bills. The legislation also prohibits a retail electric provider (REP) from disconnecting service for nonpayment during periods of extreme hot or cold weather, and requires REPs to offer a deferred payment plan for qualified customers during those periods.

What happens to school districts that lose part of their tax property base as a result of restructuring?

Some school districts in Texas could face a reduction in their property wealth as a result of restructuring of the electric utility industry. This is because the value of a generating plant may decrease in a competitive market. The System Benefits Fund will provide funds to compensate those school districts whose property tax income declines because of a decrease in their property tax base.

Where will I be able to get information to help me make an informed choice for my electric service provider?

The PUC will implement an education program to help customers understand what will happen when restructuring occurs. Information will likely be made available through the media, through direct mail, public service announcements, public and town hall meetings and the PUC's Web site. You can also contact the PUC's toll-free call center at 1-888-782-8477.

What is the System Benefits Fund charge?

It is a usage-based fee that will appear on customer bills. It finances the Systems Benefits Fund, which will provide funds for low-income customer assistance programs, customer education programs and reimbursement to school districts that lose tax revenue from decreases in property value of generating plants caused by utility restructuring.

What is the "Price to Beat?"

The "price to beat" is a price established to stimulate competition for sales to residential and small commercial customers. For existing electric utilities the "price to beat" will be six percent below current retail rates, but it is expected that competing retail electric providers will offer customers even lower rates. The affiliated retail electric provider may not lower rates for three years, or until the company loses 40 percent of its residential or small commercial customers to competition.

What if I don't want to change providers?

You do not have to change your service provider. If you do not choose another provider, you will continue to receive service from your current provider, now the affiliated retail electric provider. Remember, affiliated retail electric providers must charge the "price to beat." You will continue to receive service even if you do not select a new retail electric provider.

How will the pilot program work?

The retail choice pilot program will be conducted in each investor-owned utility's service area beginning June 1, 2001. Each utility must offer customer choice to at least five percent of its customer base. Customers participating in the pilot program can buy electricity from any retail electric provider certified by the PUC.

What is an "aggregator?"

An aggregator is a person who joins with two or more other customers into a single purchasing unit to negotiate the purchase of electricity from a retail electric provider. Some examples of aggregators are groups of small businesses, residential customer who are members of a homeowners association or members of organizations such as the American Associations of Retired Persons (AARP).

Will electric service continue to be safe and reliable?

Yes. An Independent System Operator (ISO) is charged with establishing and enforcing procedures to ensure the reliability of the regional power network. The ISO must account for the production and delivery of electricity among generators and all other market participants. ISO procedures will be subject to PUC oversight and review.