

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS
2005 SUMMER COMMITTEE MEETINGS

*An Economic Analysis of Retail Electric
Competition in Texas*

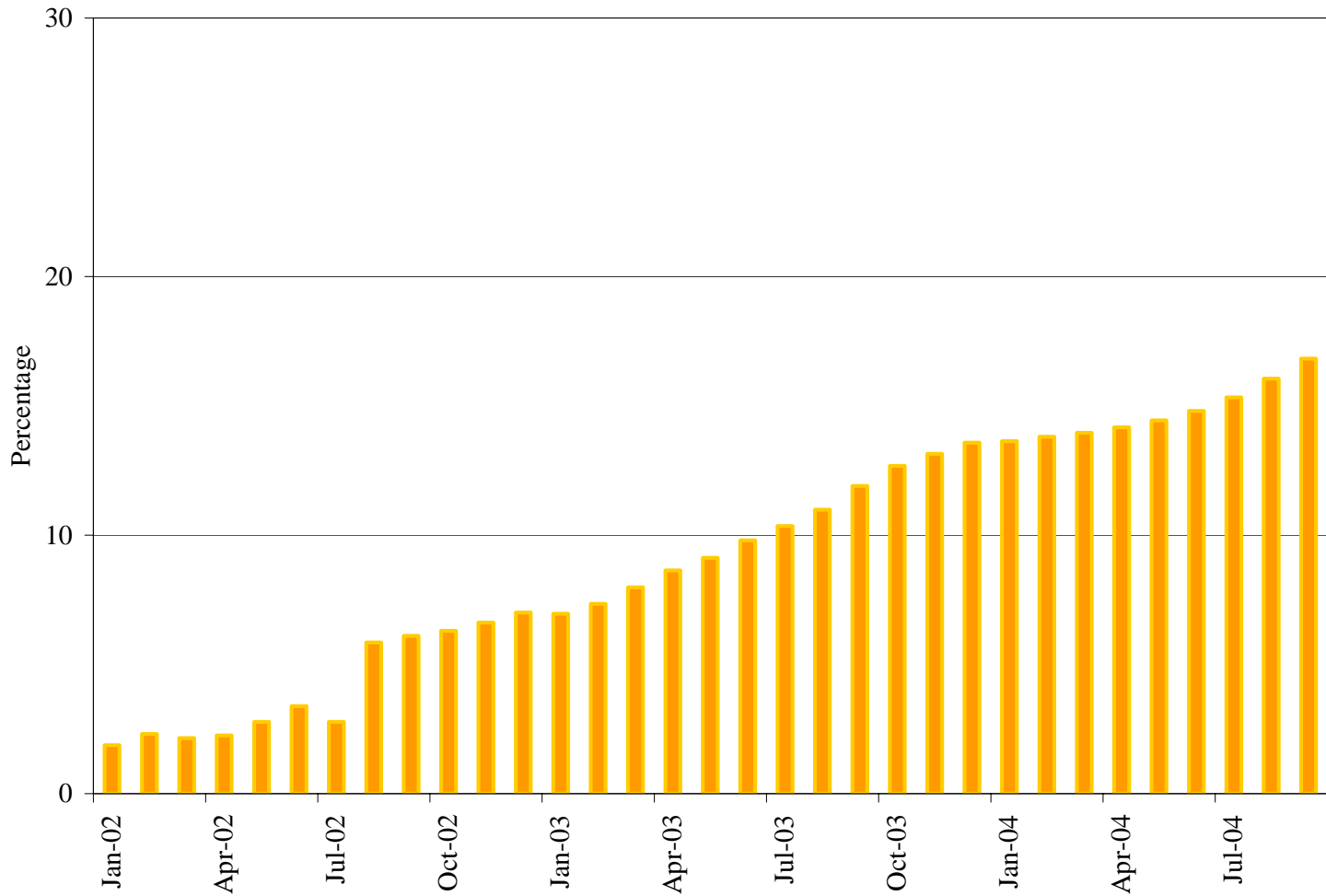
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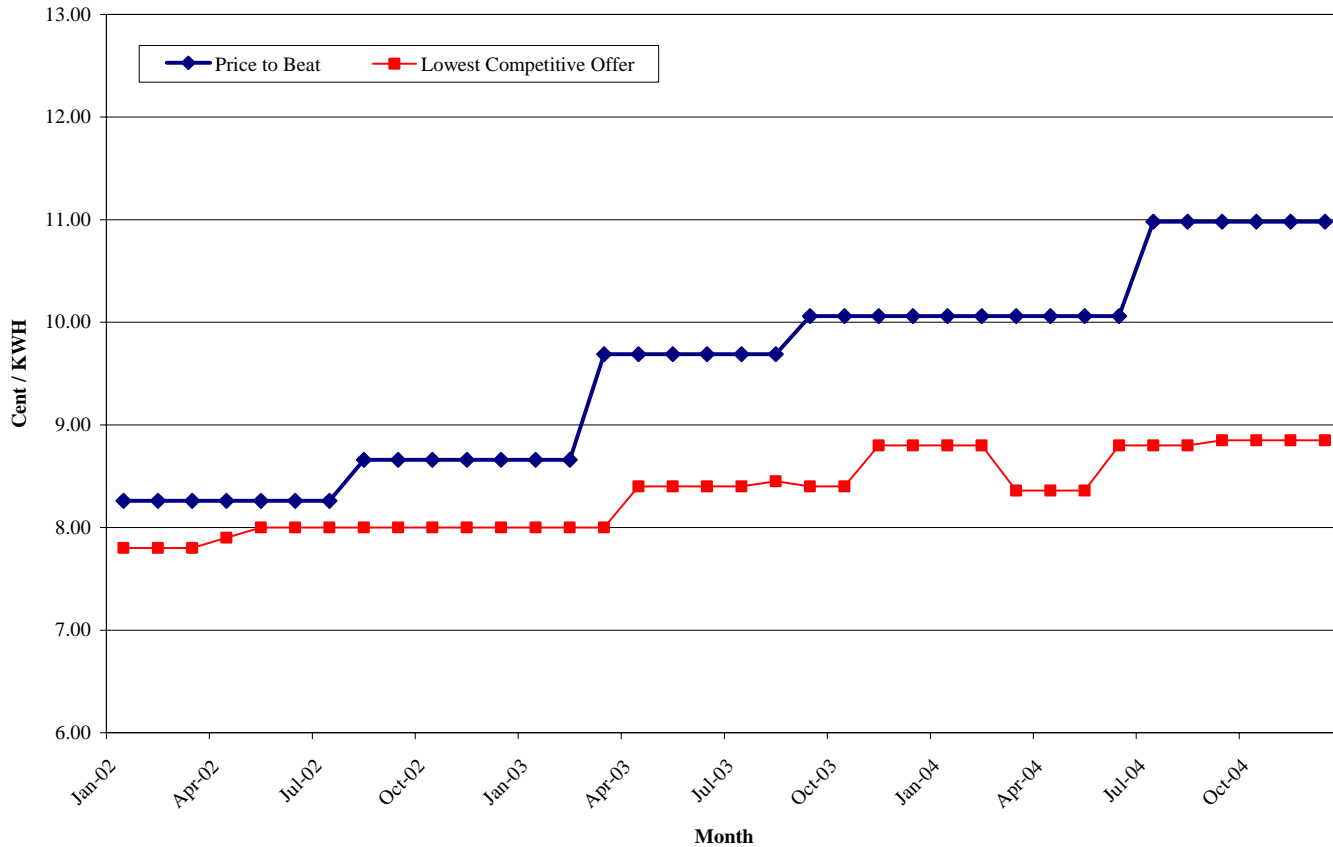
July 26, 2005

Topics

- **How residential customers have been impacted by restructuring**
- **Can we trust allowing PTB to expire?**
- **What other states can learn from Texas' experience and from deregulation initiatives in trucking, airlines, and telecommunications**

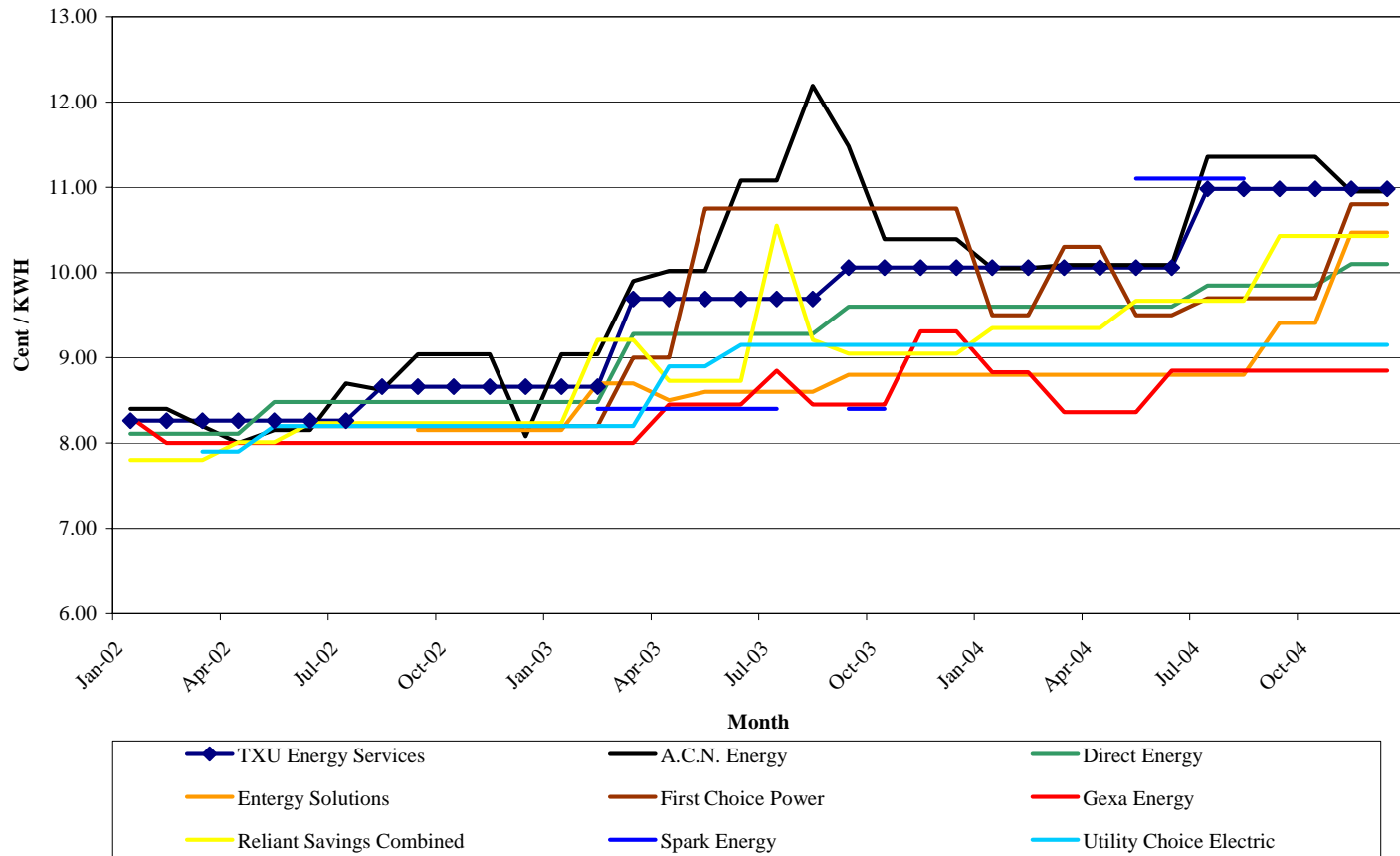


Taking “churn” into account, 30% of all customers have made an affirmative choice.



Source: Public Utility Commission of Texas – Retail Electric Service Rate Comparisons, Monthly Data 2002–2004

Lowest competitive price rose much more slowly than PTB.



Source: Public Utility Commission of Texas – Retail Electric Service Rate Comparisons, Monthly Data 2002–2004

Prices are not moving in lock-step.

Airlines

Deregulated: 1978

Cost per Ton-mile, relative to 1970:	1970	100%
	1975	106
	1980	111
	1985	98
	1990	95
	1995	77
Average Revenue per Passenger-mile: (\$ 1996)	1978	.20
	1996	.14

Source: S. Morrison & C. Whinston (1998), *Regulatory Reform of U.S. Intercity Transportation*, Ch. 14.

Railroads

Deregulated: 1980

Rail Freight Rates, relative to 1980 :	1980	100%
	1981	108
	1982	101
	1983	95
	1984	89
	1985	85
	1986	80
	1987	75
	1988	70

Annual Shipper Savings in 1990: **\$12 billion**

Sources: Rates: W. Wilson (1994), "Market Specific Effects of Rail Deregulation," *Journal of Industrial Economics*, vol. 42, pp. 1-22.
Savings: C. Whinston, T. Corsi, C. Grimm, & C. Evans (1990), *The Economic Effects of Surface Freight Deregulation*,
Brookings Institute.

Trucking

Deregulated: 1980

Number of Interstate Trucking Firms in U.S. :	1975	16,000
	1985	33,000
Truck Freight Rates, relative to 1980:	1980	100%
	1981	92
	1982	85
	1983	78
	1984	70
	1985	62

Sources: No. of Firms: N. Rose (1988), *Economic Deregulation, Promise and Performance*, Syracuse, NY: Syracuse University Press.
Rates: J. Ying and T. Keeler (1991), "Pricing in a Deregulated Environment: The Motor Carrier Experience," *Rand Journal of Economics*, vol. 22, pp. 264-73.