

Inside

Dome question: It may become a landmark. B2.

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In fight over electric grid, public is left out

Consumers need an advocate for creation of alternate power

By Tom Schmal

Right now there is a billion-dollar prize fight in Texas over how to prepare the electric grid for the next big heat wave.

Everyone is represented in the fight. Everyone that is, except 99 percent of the electric grid's customers — you and me.

In one corner: power generators like Reliant and Calpine, who are pushing the "Capacity Payment" plan.

This plan calls for all Texans to subsidize new power plants that will silently stand in reserve for the next heat wave.

Because constructing power plants is how these companies make money, and over a billion dollars a year of construction will be needed, this is the plan they support.

In the other corner: big industry and manufacturers. These folks support the current Public Utility Commission plan, which is to use ever-higher price caps to cut back on demand.

Industry supports this plan because it can buy electricity by the hour. When power generators raise prices from the usual pennies per kilowatt hour to 50 cents or to a crisis \$3 per kilowatt hour, big industry just cuts back and saves a boatload of money.

Question: Who is in the corner for the consumer? Why can't we save money the way big industry does? We all have the same smart meters tracking our usage hour by hour. We paid for those things. Why can't we use them?

Let's look at what a residential consumer could save if given a chance. A good size home air-conditioning system uses eight kilowatts of power. On the afternoon that wholesale electricity jumps to \$3 per kilowatt hour, a homeowner should be able to save 24 dollars (\$3 x 8 kWh) just by turning off the A/C for an hour and going shopping.

Unfortunately, power retailers like Reliant don't offer hourly rate plans to homeowners. What they offer us are "monthly average rate" contracts at around 10 cents per kilowatt hour, so all you would save from your effort would

be 80 cents (10 cents x 8 kWh). No Texan is going to turn off the A/C for that, and because we won't, electricity usage keeps growing and growing and the power companies are loving it.

Savings are also too small to support a backup generator or provide a decent economic payback for a solar installation. Of course, this is exactly why average rate contracts are all we are offered.

The last thing the power companies want is a million residential and commercial customers in Texas saving money by powering themselves with solar panels on hot summer afternoons.

If people could sign up for industry-type contracts that followed the actual cost of power throughout the day, their savings from alternatives would triple, or quadruple, or better.

This is because in addition to saving big-time on cost in the hot afternoon, the customer would save again in the evening by paying the actual cost of only five or six cents.

For us to benefit, retailers wishing to sell power in Texas must be required to offer a standardized contract with rates that follow wholesale power cost throughout the day — be it five cents, 50 cents or \$3 (and potentially \$9 by 2015). This will let consumers respond to price signals just as they do in free markets, by installing alternatives and cutting back.

The new economics will be a game-changer. If one in 20 homeowners took advantage by putting 1 kW of solar panels on their garages, besides making money for themselves, peak demand from the grid would drop by 1,000 to 2,000 MW per year. That is enough to put an end to the need for new power plants.

One day, people will have the same rights as big industry. We will be able to buy a super-cheap base level of electricity and then use solar panels and other technology to save money on afternoon air conditioning.

When that day comes, it will mean the end of peaking plant construction in Texas. It will mean cheaper products, cleaner air and more money in our pockets. Question: Why isn't that day here already?

Schmal worked for a Texas-based public utility for 30 years, in the departments of rates, forecasting and planning.

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