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“Predatory pricing” harming competitiveness in ERCOT

Consumers would benefit from ending subsidies for all generators

AUSTIN, TX (08/03/20) — The Energy Alliance today released [Predatory Pricing in the Texas Electricity Market](#). The report examines the effects of renewable generators in ERCOT undercutting the prices of their competitors by selling electricity below their costs, and even their marginal costs, to gain market share.

“Pricing by renewable generators in Texas is similar to the classic anticompetitive behavior in antitrust theory known as predatory pricing,” said Bill Peacock, the author of the report and policy director of the Energy Alliance. “Yet, despite the obvious harm this is causing to competition and the reliability of the electric grid, policymakers have not addressed the underlying cause for this, renewable energy subsidies.”

No matter what price a renewable generator sells its electricity for, it receives a better return on investment than its competitors because of subsidies. The resulting below market prices have repeatedly been blamed for harming thermal generators by lowering their profitability and decreasing investment in new thermal generation. This in turn has led to lower reserve margins and the decreasing reliability of the grid.

“Renewable energy subsidies enable renewable generators to receive above market returns even with their ‘predatory,’ below market prices,” Peacock added.

Policymakers and regulators have not pursued the anticompetitive behavior of renewable generators under antitrust law in part because it does not fit the classic definition of predatory pricing. But neither have they sought to reduce or eliminate renewable energy subsidies, despite the obvious harm they are causing to competition and the reliability of the electric grid. Instead, they have responded by making electricity more expensive through administrative price adders, further distorting the market with more subsidies for both renewable and traditional thermal (coal, natural gas, and nuclear) generators.

The Energy Alliance is a project of the [Texas Business Coalition](#) to raise awareness of issues about the energy market that matter most to consumers: Reliability, Affordability, and Efficiency.

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