

Electricity Deregulation

NRS Chapters 701-704, inclusive, govern energy policy in the state of Nevada and provide for the protection of regional monopoly providers from potential competitors. NRS Chapter 703 establishes a Public Utilities Commission (PUC) and charges this body with the task of fixing and regulating the prices charged by the state-protected monopoly provider.

Key Points

Central planning is inherently inefficient. Yet the PUC centrally plans for one of the most critical inputs into every productive process in Nevada: energy. The PUC decides how much electric capacity shall be constructed, through which means electricity shall be produced, and at what price electricity must be sold. The PUC operates at the direction of the legislature, meaning that these critical economic decisions about price and supply are constantly subjected to political manipulation and not market forces.

For reasons articulated by Ludwig von Mises and other famed economists, it is, at all times, impossible for central planners to efficiently coordinate the use of society's resources. The reason is the impossibility of gathering timely and reliable data about individuals' subjective and ever-changing valuations.¹

State regulation creates incentives for monopoly providers to produce through the most expensive means possible. Nevada's regulatory structure guarantees the protected monopoly provider of electricity a "rate of return" of between 8.5% and 11% of its costs. This means that the monopoly's shareholders can earn higher profits by operating less efficiently. This perverse incentive encourages the monopoly to support increasingly onerous mandates and regulations that increase the cost of electricity production. While the electric monopoly's shareholders make more money, the inefficiency is pushed onto ratepayers in the form of higher electricity prices.

Choice imposes accountability. In any marketplace, consumers allowed to choose generally bypass the least efficient providers and purchase instead the product offering the qualities they most want for the best price.

Electricity is not a 'natural monopoly.' The traditional argument for electricity regulation was that the industry was subject to conditions of "market failure" and that electricity production was a "natural monopoly" that should be protected and regulated by the state. However academic economists – including some on the political Left – have recognized for at least 35 years that these theories were misguided and that electricity production is not subject to market failure.² As a result, no tenable argument for regulated monopolies exists.

Recommendations

Deregulate Nevada's electricity market. Lawmakers should facilitate open competition in the production, transmission and retail distribution of electricity. Generation facilities should be required to meet safety and environmental standards, but otherwise, choices about how electricity is produced should ultimately be made by consumers – as their preferences about price, quality and reliability flow through the market.

Deregulation does not mean an end to renewable energy. Rather, it can hasten the day of its genuine sustainability. Even now, retailers pursue customers by advertising that they procure electricity from renewable facilities on the wholesale market. Consumers are then left to make the choice among retail providers based on their own

¹Ludwig von Mises, *Economic Calculation in the Socialist Commonwealth*, 1920; see also, Jesus Huerta de Soto, *Socialism, Economic Calculation and Entrepreneurship*, 2010.

preferences and values.

Texas has been among the most aggressive states in pursuing electricity deregulation. Texas lawmakers in 1999 passed Senate Bill 7, which laid out the process for deregulation and required full retail competition by 2002.³ In a 2019 report to lawmakers, the Texas PUC reported that Texans have access to the lowest-cost electricity in the nation and that consumers in every part of Texas face retail electric rates lower today than in 2001 and lower than the national average by nearly four cents per kWh. The market even offers plans that generate 100% percent of electricity from renewable sources.⁴ Currently, Nevada law only allows very large industrial ratepayers to exit the monopoly utility and shop for alternative energy sources.

Electricity consumers in Texas can visit a website run by the state's PUC and shop for competitive retail providers based on price, structure and renewable content

The screenshot shows the Texas Electric Choice website. The top navigation bar includes 'HOME' and 'ESPAÑOL'. The main heading is 'SHOP. SWITCH. SAVE.' Below this are three main sections: 'ELECTRICITY BASICS', 'WHY SWITCH', and 'COMPARE OFFERS'. The 'WHY SWITCH' section features a woman looking at a laptop. The 'COMPARE OFFERS' section shows two apples, one red and one green. Below these sections is a 'YOU HAVE THE POWER TO CHOOSE.' banner with a 'Go Directly To Offers' button. The 'Featured' section lists 'Smart Meters', 'Generating and Selling Renewable Power', 'Incentives for Energy Efficiency and Renewables', and 'Publications'. On the right side, there is a 'AVAILABLE OFFERS' section with a table of electricity plans.

Filter	Fixed	Variable	Indexed	Promotional Offers	Prepaid		
Search Criteria	214 Records Found						
Zip Code	77061						
TDU Service Area	DALLAS/IRVING ENERGY						
Renewable Content	All						
Price (cents per kWh)	From 0.00 to 0.00						
Contract Term (months)	From 0 to 0						
REP Compare	ALL						
Prepaid							
Or check boxes to compare offers							
Submit							
Rate	Retail Electric Provider	Avg. Price/kWh (1,000 kWh)	Cost per 1,000 kWh	Rate Type	Renewable Energy Content	Term (Mo.)	Cancellation Fee
	Petrotek Power Watt Buy 4 Electricity Facts Label Terms of Service Special Terms Sign Up	7.34	\$73.00	Fixed	7%	4	\$75.00
	Reliant Basic Power Plan - 6 Electricity Facts Label Terms of Service Special Terms Sign Up	7.44	\$74.00	Fixed	20%	6	\$150.00
	APNA Energy APNA Super Saver 3 Electricity Facts Label Terms of Service Special Terms Sign Up	7.64	\$76.00	Fixed	4%	3	\$150.00

² See, e.g., Leonard Weiss, "Antitrust in the Electric Power Industry," in Promoting Competition in Regulated Markets, ed. Almarin Phillips, pp. 138-173, Brookings Institution, 1975.

³ Texas Legislature, 76th Legislative Session, Senate Bill 7.

⁴ State of Texas, Public Utility Commission, "Report to the 86th Texas Legislature: Scope of Competition in Electric Markets in Texas," 2019.