

Hearings on Texas disaster expose irrationality of private energy production

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The death toll recorded in Texas from the freeze earlier this month has risen to at least 40 statewide, according to ABC, but with 86 deaths in Austin and surrounding areas alone being processed by the Travis County medical examiner, the actual death toll is certainly far larger. Autopsies take 30-90 days to complete, according to the medical examiner.

Fifteen cumulative hypothermia deaths have been recorded in Houston alone as of Thursday as a result of the winter storm. It could take months until the full scale of deaths is known. Ten days after the blackout, 1 million are still without clean water across the state, with some still without access to food.

Six of the Electric Reliability Council of Texas' (ERCOT) 15 directors have resigned in the aftermath of the disaster. ERCOT is the independent system operator which is responsible for operating the state's electrical grid.

Democratic Senator Nathan Johnson stated at a state senate hearing this week that weekly power costs jumped 10-fold in the same period in which millions lost power, jumping from \$5 billion to \$50 billion. When Johnson asked ERCOT CEO Bill Magness where all the money extracted from the jump in the power costs went, he stated he could not answer. Johnson observed, "The gas business made a lot of money."

One of those who "made a lot of money" was the billionaire owner of the Dallas Cowboys football team Jerry Jones, who is majority owner of the gas company Comstock Resources Inc. Comstock price gouged on gas during the crisis, with its president and CFO Roland Burns stating that its "like hitting the jackpot" on earnings call on February 17, with prices being increased by 600 percent to 7500 percent over rates from the previous month. Jones had his stadium in

Arlington paid for in large part through \$325 million in taxpayers money. Jones pays a mere \$2.4 million to the city per year to operate the stadium while the Cowboy's franchise is valued at \$5.7 billion according to Forbes.

Of the about 100 retail electricity providers created under the deregulation of the state's power grid, a quarter are at risk of defaulting on multimillion-dollar service charges in what is being called "blood week" among those in the firms.

Mark Foster, an attorney for one of those failing companies and former special council for the state's Public Utility Commission, explained that energy marketer Young Energy LLC, faces a \$19 million bill for services that were \$37,000 the prior month. The retail energy providers at risk of default service charges may be forced to sell their customers to larger firms, significantly decreasing the number of energy providers.

The electrical grid in Texas was deregulated in 2002 after Senate Bill 7 was signed into law by then Governor George W. Bush in 1999. The bill had the backing of the infamous former Houston-based energy company Enron which purposely shut off energy production in California in 2001 in order to massively profit off of price gouging after having successfully pushed for deregulation in California.

The deregulation schema pursued by Enron involved the removing of fixed rates and dismantling of established monopolies in order to make way for the financialization of energy transactions, which Enron had developed, by which Enron could not only overstate the energy contracts' worth by recording all of the projected proceeds from contracts, thereby inflating the company's value on Wall Street, but could also price gouge as demand increases.

According to the *Wall Street Journal*, under the deregulated market paid rates 13 percent higher than the nationwide average from 2004 to 2019” while “those who used traditional utilities in Texas paid 8 percent less than the national average during that timeframe.” This has led to a cost increase of \$28 billion to utility customers over that same period. Other states have deregulated the electricity market, but Texas is unique in that 60 percent of residents were forced to get their electricity from a retail company while other states give a choice.

However, the infrastructure problems which led to the disaster earlier this month and near total collapse of the power grid developed well before deregulation and have been well known for decades.

During a freeze in 1989 very similar to what happened this month, Houston was without water for 4 days following multiple power failures due to a lack of winterization. The *Austin American Statesman* reported in January 1990 that there had been a freeze at majority owner Houston Lighting & Power Company’s Bay City nuclear power plant, which officials were forced to cancel re-starting “after pipes at the ... plant’s three cooling systems filled with ice.”

After yet another winter storm knocked out power in 2011, the *American Statesman* ran an article titled “February power blackouts across Texas echoed 1989 failures, state report shows,” which made the connection between the 2011 blackout and the 1989 blackout.

A Public Utility Commission (PUC) report from November 1990 found that the winter freeze caused a rise in demand for electricity while at the same time “weather-related equipment malfunctions were causing generating units to trip off the line.” The report stated, in a line that is strikingly similar to the situation today, that the storm came close to causing the “near loss of the entire ERCOT electric grid.”

The *American Statesman* noted, “Although state regulators are charged with overseeing many aspects of the energy market, requiring utilities to be weatherized isn’t one of them. When the PUC compiled its suggestions in 1990, there was nothing to make sure they would be followed.”

That is, even before deregulation, the utilities and private companies were not subject to oversight on weatherizing, and that “suggestions” made by

legislators were public relations, and by no means an attempt to solve the underlying issues. As in 1989 and 2011, the state legislature today is made up of politicians, Republican and Democrat alike, who are tied by a thousand strings to their corporate donors.

Already in 1990, the basic issues that caused the near-total collapse of the Texas power grid three decades later had been studied and were well known. Maintenance as well as upgrade costs were kept to a bare minimum in order to maximize profits at the expense of the stability and reliability of the power grid. As a result, millions of working-class Texans were once again left without water, heat and electricity for days on end and dozens have died.



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