

# THE WALL STREET JOURNAL.

## The Political Making of a Power Outage

### REVIEW & OUTLOOK

Why are millions of Americans in the nation's most energy-rich state without power and heat for days amid extreme winter weather? "The people who have fallen short with regard to the power are the private power generation companies," Texas Gov. Greg Abbott explained. Ah, yes, blame private power companies . . . that are regulated by government.

The Republican sounds like California's Democratic Governor Gavin Newsom, who lambasted private utilities for rolling blackouts during a heat wave last summer. Power grids should be able to withstand extreme weather. But in both these bellwether states, state and federal energy policies have created market distortions and reduced grid reliability.

Mr. Abbott blamed his state's extensive power outages on generators freezing early Monday morning, noting "this includes the natural gas & coal generators." But frigid temperatures and icy conditions have descended on most of the country. Why couldn't Texas handle them while other states did?

The problem is Texas's overreliance on wind power that has left the grid more vulnerable to bad weather. Half of wind turbines froze last week, causing wind's share of electricity to plunge to 8% from 42%. Power prices in the wholesale market spiked, and grid regulators on Friday warned of rolling blackouts. Natural gas and coal generators ramped up to cover the

sources can fail. The more the grid relies on intermittent renewables like wind and solar, the more baseload power is needed to back them up.

But politicians don't care about grid reliability until the power goes out. And for three decades politicians from both parties have pushed subsidies for renewables that have made the grid less stable.

Start with the 1992 Energy Policy Act signed by George H.W. Bush, which created a production tax credit to boost the infant wind industry. Generators collect up to \$25 per megawatt hour of power they produce regardless of market demand. The credit was supposed to expire in 1999, but nothing lasts longer than a temporary government program, as Ronald Reagan once quipped. The renewables lobby found GOP allies in windy states like Texas, Oklahoma and Iowa. Former Enron CEO Ken Lay, who had made a big bet on wind, begged then Texas Gov. George W. Bush in 1998 to lobby Congress to extend the credit for five years. Congress has since extended it more than a dozen times, most recently in December.

Wind producers persuaded former Gov. Rick Perry to back a \$5 billion network of transmission lines to connect turbines in western Texas to cities. This enabled them to build more turbines— and collect more tax credits. Because the Texas grid is often oversupplied, wind producers sometimes pay to off-

*How bad energy policy led to rolling blackouts in freezing Texas.*

gas are expected to substitute, but Texas is showing their limitations. In the Lone Star State, bad weather has constrained the supply of gas, but government policies do the same in other states. New York Gov. Andrew Cuomo and New Jersey's Phil Murphy have blocked pipelines to deliver shale gas from Pennsylvania to the Northeast.

Their pipeline blockade has driven up the cost of electricity. The average retail price of power is about 50% higher in New Jersey and New York than in Pennsylvania. They and other governors have also poured subsidies into wind and solar, though neither can provide reliable power in frosty weather.

Many states also have renewable mandates that will force more fossil-fuel generators to shut down. New York has required that renewables account for 70% of state power by 2030. Then layer on Democratic policies at the federal level that limit fossil-fuel production and distribution.

The Federal Energy Regulatory Commission is supposed to ensure grid reliability, but under Barack Obama it promoted renewables over reliability. Democrats opposed efforts by Trump appointees to mitigate market distortions caused by state renewable subsidies and mandates that jeopardized the grid.

supply gap but couldn't meet the surging demand for electricity—which half of households rely on for heating—even as many families powered up their gas furnaces. Then some gas wells and pipelines froze.

In short, there wasn't sufficient baseload power from coal and nuclear to support the grid. Baseload power is needed to stabilize grid frequency amid changes in demand and supply. When there's not enough baseload power, the grid gets unbalanced and power

load their power, though they still turn a profit with the tax credits.

Coal and nuclear are more strictly regulated and can't compete, and many coal plants have shut down in Texas and elsewhere. Over the last decade about 100 gigawatts of coal power nationwide has been retired—enough to power 60 million homes. Many nuclear plants are scheduled to shut down, including large reactors in New York and Illinois this year.

Renewables and natural

On present trend, this week's Texas fiasco is coming soon to a cold winter or hot summer near you.

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