

BILL ANALYSIS

Senate Research Center
81R3863 JJT-D

S.B. 435
By: Ellis
Business & Commerce
2/18/2009
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, Texas' Renewable Portfolio Standard (RPS) mandates at least 5,880 megawatts (MW) of renewable energy by 2015 and a target of 10,000 MW in 2025. The RPS also provides for a Renewable Energy Certificates (REC) trading program. To meet the RPS targets, utility companies may buy or trade RECs. One REC represents one megawatt hour of qualified renewable energy that is generated and metered in Texas. The renewable energy capacity required by the electricity sellers can be provided directly or through the REC market. If a utility earns extra credits, it can sell the credits to utilities who need credits to meet the RPS requirements. This enables electricity providers that do not own or purchase enough renewable energy capacity to purchase credits instead of capacity.

As proposed, S.B. 435 increases RPS standards to require that at least 3,000 MW of new renewable capacity be produced specifically during peak periods.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 2 (Section 39.917, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 39.002, Utilities Code, as follows:

Sec. 39.002. **APPLICABILITY.** Provides that this chapter, other than certain sections, including Section 39.917, does not apply to a municipally owned utility or an electric cooperative. Provides that certain sections, including Section 39.917, however, apply only to a municipally owned utility or an electric cooperative that is offering customer choice.

SECTION 2. Amends Subchapter Z, Chapter 39, Utilities Code, by adding Section 39.917, as follows:

Sec. 39.917. **GOAL FOR PEAK LOAD PERIOD RENEWABLE ENERGY GENERATION.** (a) Defines "renewable energy technology."

(b) Provides that it is the intent of the legislature that by January 1, 2020, generating capacity from renewable energy technologies will have been installed in this state that is capable of producing not less than an additional 3,000 megawatts during peak load periods, as compared to the peak load period generating capacity from renewable energy technologies installed in this state as of September 1, 2009, for use by retail electric providers, municipally owned utilities, and electric cooperatives and their customers.

(c) Requires each retail electric provider, municipally owned utility, or electric cooperative in this state to directly own or purchase the appropriate generating capacity or peak load renewable energy credits not later than January 1, 2020, so that the installed peak load generating capacity from renewable energy technologies in this state increases to meet the goal provided by Subsection (b).

(d) Requires the Public Utility Commission of Texas (PUC) by rule to establish a peak load renewable energy credits trading program. Requires each retail electric provider, municipally owned utility, or electric cooperative that does not satisfy the requirement of Subsection (c) by directly owning or purchasing generating capacity for peak load periods from sources using renewable energy technologies to purchase sufficient peak load renewable energy credits from renewable energy technologies. Requires PUC rules to provide for peak load capacity from electric energy that is generated by renewable energy technologies and stored for later release to the electric transmission and distribution system to be eligible for a credit that is double the credit for which capacity from renewable energy technologies alone is eligible.

(e) Requires PUC to adopt rules necessary to administer and enforce this section. Requires that at a minimum, the rules establish the minimum annual peak load renewable energy requirement for each retail electric provider, municipally owned utility, and electric cooperative operating in this state in a manner reasonably calculated by PUC to produce, on a statewide basis, compliance with the requirement prescribed by Subsection (c); and specify reasonable performance standards that all peak load renewable capacity additions are required to meet to count against the requirement prescribed by Subsection (c) and that are designed and operated so as to maximize the energy output from the capacity additions in accordance with then current industry standards, as necessary to meet demand at peak load periods, and encourage the development, construction, and operation of new peak load renewable energy projects at those sites in this state that have the greatest economic potential for capture and development of this state's environmentally beneficial renewable resources.

(f) Authorizes a municipally owned utility operating a gas distribution system to credit toward satisfaction of the requirements of this section any production or acquisition of landfill gas supplied to the gas distribution system, based on conversion to kilowatt hours of the thermal energy content in British thermal units of the renewable source and using for the conversion factor the systemwide average heat rate of the gas-fired units of the combined utility's electric system as measured in British thermal units per kilowatt hour.

(g) Requires PUC, after consultation with each appropriate independent organization, electric reliability council, or regional transmission organization, to develop a plan to construct transmission capacity necessary to deliver to electric customers during peak load periods, in a manner that is most beneficial and cost-effective to the customers, the electric output from renewable energy technologies.

(h) Requires PUC, after consultation with each appropriate independent organization, electric reliability council, or regional transmission organization, to file a report with the legislature not later than December 31 of each even-numbered year. Requires that the report include an evaluation of PUC's implementation of this section, the estimated cost of transmission service improvements and other system improvements necessary to implement this section, and an evaluation of the effects that additional peak load renewable generation has on system reliability and on the cost of alternatives to mitigate the effects.

(i) Authorizes PUC to adopt rules requiring renewable peak load power facilities to have reactive power control capabilities or any other feasible technology designed to reduce the facilities' effects on system reliability.

(j) Requires PUC, as provided by this subsection, to reduce the requirement under Subsection (c) for a retail electric provider, municipally owned utility, or electric cooperative that is subject to a requirement under this section and that serves a customer receiving electric service at transmission-level voltage if, before any year for which PUC calculates requirements for peak load generating

capacity from renewable energy technologies under Subsection (c), the customer notifies PUC in writing that the customer chooses not to support that goal as established under this section for that year. Requires PUC to exclude from the calculation of a retail electric provider's, municipally owned utility's, or electric cooperative's requirement under Subsection (c) energy sold by the retail electric provider, municipally owned utility, or electric cooperative at transmission-level voltage to customers who have submitted the notice to PUC under this subsection for the applicable year. Requires PUC to determine the reporting requirements and schedule necessary to implement this subsection. Provides that this subsection does not alter the goals established in Subsection (b) or reduce the minimum statewide requirements of Subsection (c).

SECTION 3. Effective date: upon passage or September 1, 2009.