

**SUBJECT:** Revising PUC enforcement of electric service reliability measures

**COMMITTEE:** Regulated Industries — committee substitute recommended

**VOTE:** 7 ayes — Christian, Turner, Crabb, Hartnett, Oliveira, Smithee, Swinford  
0 nays  
2 absent — P. King, Straus

**WITNESSES:** For — Charles Brower, AEP Texas; Terry D. Finley, CenterPoint Energy and Association of Electric Companies of Texas (AECT)  
  
Against — Rick Levy, Texas State Association of Electrical Workers (IBEW)

**BACKGROUND:** Several organizations set standards to help ensure reliability of electric service. The North American Electric Reliability Council, formed after the Northeast Blackout of 1965, establishes standards for the bulk electric transmission system that carries large amounts of power throughout the country. The Institute of Electrical and Electronics Engineers, Inc. (IEEE), a non-profit professional association, also promulgates standards, including those for electricity distribution from substations and local lines to industrial, commercial, and residential electricity users.

IEEE Standard 1366-1998 establishes two measures of reliability of service for electricity service: the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI). The SAIDI is determined by dividing the total number of customer interruption durations by the total number of customers served. According to IEEE Standard 1366-1998, the median SAIDI value for North American Utilities for total average interruptions during a year is 1.5 hours. The SAIFI is determined by dividing the total number of customer interruptions by the total number of customers served. The IEEE Standard median value is 1.1 interruptions per customer per year.

The 76th Legislature in 1999 enacted SB 7 by Sibley, which restructured the electricity industry in Texas. The transmission and distribution function of electric utilities — the so-called “wires” portion — remains

under regulation by the Public Utility Commission (PUC). Utilities Code, sec. 38.005(a) requires the PUC to establish SAIDI and SAIFI standards.

Utilities Code, sec. 38.005(b) requires the PUC to take appropriate enforcement action against a utility if any of the utility's distribution lines that serve 10 or more customers appears on the utility's list of worst-10-percent performers for two consecutive years. PUC also must take enforcement action against any utility that has had a SAIDI or SAIFI average more than 300 percent greater than the system average of all distribution lines for a two-year period. The comparison began in 2000. The enforcement action could consist of administrative fines or penalties, or PUC could direct the utility to make additional investments to improve reliability measures.

**DIGEST:**

CSHB 3005 would amend Utilities Code, sec. 38.005(b) to make PUC enforcement on SAIDI and SAIFI standards discretionary, rather than mandatory. The bill also would remove the PUC's authority to take enforcement action against a utility if any of its distribution lines appeared on the utility's worst-10-percent performers list for two consecutive years.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

**SUPPORTERS  
SAY:**

CSHB 3005 would give the PUC and utilities the flexibility to focus resources on improving overall system reliability. Encouraging collaboration between the PUC and utility would be a more effective way to improve electric service. When the commission adopted Rule 25.52 to enforce the reliability standard, it observed that "there may be a point at which it is neither reasonable nor cost effective to improve distribution feeder performance." Unnecessary procedures, such as those used to enforce reliability standards, should be eliminated from both state law and administrative rules.

CSHB 3005 would not eliminate the PUC's authority to assess penalties against the worst performers, but it would end a formulaic approach that results in a perpetual penalty system. By definition, each utility has a certain number of distribution feeders that perform in its bottom 10 percent, regardless of the level of service provided. The bill would maintain the current 300 percent standard and allow the PUC to address problems with the worst offenders.

Other portions of the Utilities Code address equal access to utility service, and the PUC can ensure that reliable service is provided to all classes of service through its rules and enforcement procedures. The “wires” portion remains regulated, and the commission can specifically order infrastructure improvements to improve reliability as part of its decision in a rate case.

OPPONENTS  
SAY:

Reliability standard measures were included in SB 7 to prevent “red lining” of electric service where utilities might choose not to maintain less profitable distribution lines that serve fewer customers. All ratepayers deserve reliable service whether they are on a line that serves 50 or 50,000 customers. CSHB 3005 would weaken the original standard by making enforcement permissive rather than mandatory. Utilities must be encouraged to invest in infrastructure to provide a reliable system.

NOTES:

The companion bill, SB 1824 by Janek, has been referred to the Senate Business and Commerce Committee.

The committee substitute made drafting changes to the original bill.