HOUSE
RESEARCH
ORGANIZATION bill analysis 5/23/2011

SB 981
Carona (Anchia, Gallego)
(CSSB 981 by Cook)

SUBJECT: Allowing third-party contractors for distributed renewable generation

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 10 ayes — Cook, Frullo, Gallego, Geren, Harless, Hilderbran, Huberty, Oliveira, Solomons, Turner

0 nays

3 absent — Menendez, Craddick, Smithee

SENATE VOTE: On final passage, April 7 — 31-0, on Local and Uncontested Calendar

WITNESSES: For — *(Registered, but did not testify*: Joshua Houston, Texas Impact; Michael Jewell, ECD/United Solar Ovonic and Solyndra, LLC; Colin Meehan, Environmental Defense Fund; Luke Metzger, Environment Texas; Cyrus Reed, Lone Star Chapter, Sierra Club)

Against — None

BACKGROUND: Distributed Renewable Generation (DRG), or "on-site" generation, is produced from renewable sources, such as solar photovoltaic panels, on-site small wind generators, or biogas. Most DRG systems produce enough energy to meet a portion of a home or business' energy needs, reducing the amount of electricity purchased from a utility. In some cases, a system can produce surplus electricity and sell it back to the grid.

In 2007, the 80th Legislature enacted HB 3693 by Straus, an omnibus electricity efficiency and conservation incentive program. HB 3693 added Utilities Code, sec, 39.916, which requires that a DRG owner be allowed to connect to the electricity transmission grid.

DIGEST: CSSB 981 would amend Utilities Code, sec. 39.916 (a) (2) to allow a retail electric customer to contract with a third party to finance, install, or maintain a DRG system on the customer's side of the electric meter, regardless of whether the customer owned the installed DRG system.

CSSB 981 would prohibit the Public Utility Commission (PUC) from requiring the DRG owner to register or otherwise be certified by the PUC as an electric utility, power generation company, or retail electric provider as long as the DRG system generated an amount of electricity that was less than or equal to the customer's estimated electric energy usage.

The bill would take effect on September 1, 2011.

SUPPORTERS SAY:

CSSB 981 would remove existing bureaucratic obstacles that interfere with further development of solar power and other forms of distributed renewable generation (DRG). The bill would clarify a legacy of Texas law written before the development of technology and new business models that made it advantageous to develop solar arrays on the roofs of residences or businesses. Some customers may want to have the benefits of solar energy, but not the responsibility of owning and maintaining a technology with which they are not comfortable. A lease option could help some customers overcome problems with high initial cost and dealing with ongoing operations.

CSSB 981 would help ensure that DRG owners who intended primarily to meet their own electricity needs were not considered power generators and did not have to file burdensome and expensive paperwork with the PUC. In some cases, the DRG would transmit some excess electricity back onto the transmission grid, but the amount supplied would be insignificant.

CSSB 981 would benefit development of a more efficient electricity market and would be based on free market incentives, not subsidies.

OPPONENTS SAY:

While CSSB 981 would reduce PUC regulations on DRG owners, the Legislature needs to be cautious about adopting other measures, such as additional subsidies for solar energy, that could harm the operation of the market and cost consumers money.