

BILL ANALYSIS

Senate Research Center

C.S.S.B. 541
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, Texas is a world leader in wind energy production. However, Texas has not realized manufacturing jobs from the production of wind turbines and other renewable energy equipment. Additionally, current law provides no renewable energy credit incentive for electric generation equipment manufactured in Texas and sets the goals for renewable electricity generated from sources other than wind at 500 megawatts.

C.S.S.B. 541 amends current law relating to incentives for Texas renewable energy jobs and manufacturing.

RULEMAKING AUTHORITY

Rulemaking authority is previously granted to the Public Utility Commission is modified in SECTION 2 (Section 39.904, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. PURPOSE. Provides that the purpose of this Act is to continue Texas's leadership in installing clean, renewable energy in Texas in a market-based manner that drives manufacturing jobs and provides price protection for businesses and consumers.

SECTION 2. Amends Section 39.904, Utilities Code, by amending Subsections (a), (b), (c), (d), (n), and (o), and adding Subsections (a-1), (c-1), and (c-2), and (p), as follows:

Sec. 39.904. GOAL FOR RENEWABLE ENERGY. (a) Provides that it is the intent of the legislature that by January 1, 2015, an additional 5,000 megawatts of generating capacity from tier 1 renewable energy technologies will have been installed in this state. Requires that the cumulative installed renewable capacity in this state total 5,880 megawatts by January 1, 2015, and requires the Public Utility Commission of Texas (PUC) to establish a target of 10,000 megawatts of installed renewable capacity by January 1, 2025. Makes a conforming change. Deletes existing text requiring PUC, after September 1, 2005, to establish a target of the renewable energy technology generating capacity installed to meet the goal of this subsection of having at least 500 megawatts of capacity from a renewable energy technology other than a source using wind energy.

(a-1) Provides that it is the goal of the legislature that by January 1, 2020, an additional 3,000 megawatts of tier 2 renewable energy will have been installed in this state. Provides that, of the renewable energy generating capacity installed to meet the goal of this subsection, up to 1,000 megawatts of renewable energy storage may qualify to meet the tier 2 goal. Requires that the cumulative installed tier 2 renewable energy resource capacity in this state total 150 megawatts by January 1, 2011; 300 megawatts by January 1, 2012; 700 megawatts by January 1, 2013; 800 megawatts by January 1, 2014; 1,000 megawatts by January 1, 2015; 1,300 megawatts by January 1, 2016; 1,500 megawatts by January 1, 2017; 1,800 megawatts by January 1, 2018; 2,400 megawatts by January 1, 2019; and 3,000 megawatts by January 1, 2020.

(b) Requires PUC to establish a tier 1 renewable energy credits trading program and a tier 2 renewable energy credits trading program. Requires PUC, in

calculating capacity factors for tier 2 renewable energy credits, to encourage a diverse portfolio of tier 2 renewable energy technologies.

(c) Requires PUC, not later than January 1, 2000, to adopt rules necessary to administer and enforce this section. Requires the rules, at a minimum, to:

(1) establish the minimum annual renewable energy requirement for each retail electric provider, municipality 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 Subsections (a) and (a-1), rather than Subsection (a); and

(2) specify reasonable performance standards that all renewable capacity additions must meet to count against the requirement prescribed by Subsections (a) and (a-1), rather than Subsection (a), and that are designed and operated so as to maximize the energy output from the capacity additions in accordance with then-current industry standards; and encourage the development, construction, and operation of new 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.

(c-1) Requires PUC, not later than January 1, 2011, to adopt rules necessary to provide a "Made in Texas" incentive for tier 1 and tier 2 renewable energy credits generated by generation equipment that is wholly produced or substantially transformed by a Texas workforce, as determined by PUC. Requires that the incentive under this subsection be available for the first three years after the renewable energy equipment first produces electricity on a commercial basis.

(c-2) Requires PUC, not later than January 1, 2010, to adopt rules necessary to track and account for renewable energy credits earned from electric generating capacity derived from renewable energy storage. Requires that the rules allow for the renewable energy storage to be located on the same or on a different site as the renewable generation being stored, ensure that only one renewable energy credit is retired for every megawatt hour of renewable energy generated prior to being stored for later release onto the electricity grid, and account for any loss in energy resulting from storage for later use.

(d) Defines, for purposes of this section, "tier 1 renewable energy technology," "tier 2 renewable energy," and "renewable energy storage." Makes a nonsubstantive change.

(n) Requires PUC, notwithstanding any other provision of law, to have the authority to cap the price of renewable energy credits and suspend the goal contained in Subsections (a) and (a-1), rather than Subsection (a), if such suspension is necessary to protect the reliability and operation of the grid.

(o) Authorizes PUC to establish tier 1 and tier 2 alternative compliance payments, rather than an alternative compliance payment. Authorizes an entity that has a renewable energy purchase requirement under this section to elect to pay the alternative compliance payment instead of applying renewable energy credits toward the satisfaction of the entity's obligation under this section. Prohibits the tier 1 alternative compliance payment from a renewable energy purchase requirement that could be satisfied with a renewable energy credit from wind energy from being less than \$2.50 per credit or greater than \$20 per credit. Prohibits the tier 2 alternative compliance payment that could be satisfied with a tier 2 renewable energy credit from exceeding certain amounts before certain dates. Deletes existing text authorizing PUC to establish a separate alternative compliance payment for the goal.

(p) Requires that tier 2 alternative compliance payment funds collected by PUC be deposited into the Texas Emerging Technology Fund or other fund and allocated exclusively for the research and development of tier 2 renewable energy technologies and to renewable energy storage technologies for the purpose of making tier 2 renewable energy more affordable for consumers.

SECTION 3. Effective date: September 1, 2009.