

By: Armbrister

S.B. No. 1506

A BILL TO BE ENTITLED

1 AN ACT

2 relating to default service for residential customers of an
3 Affiliated Retail Electric Provider

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Chapter 39, Subchapter E, Utilities Code, is
6 amended to read as follows:

7 Section 39.2025 DEFAULT SERVICE. (a) Commencing January 1,
8 2007, Affiliated Retail Electric Providers (AREPs) shall provide
9 Default Service electric service to residential customers who have
10 not elected to take electric service from a Competitive Retail
11 Electric Provider, or whose Competitive Retail Electric Provider
12 supply agreement has expired or otherwise terminated. Default
13 Service shall be a non-discriminatory basic service whereby
14 wholesale supply is procured competitively by the applicable AREP.
15 The PUCT, in coordination with ERCOT, shall contract with one or
16 more private entities, certified by ERCOT as qualified to establish
17 and conduct a competitive procurement process, to provide the
18 functions provided for in this section.

19 (b) The commission, in coordination with ERCOT, shall adopt
20 rules and standards to implement the Default Service provided for
21 in Subsection (a).

22 (c) In adopting rules and standards required by Subsection
23 (b), among other elements, the Commission shall address the
24 following:

1 1) The competitive procurement process shall be an
2 open and transparent solicitation for the wholesale, full
3 requirements supply to residential customers;

4 2) In order to ensure continued development of
5 competitive retail markets, Default Service rates shall reflect the
6 results of the wholesale competitive procurement process plus the
7 full cost incurred by the AREP to provide Default Service to
8 residential customers, such that Default Service is not subsidized
9 by any other services that the AREP may provide;

10 3) Default Service shall include financial
11 performance standards including minimum credit requirements for
12 potential wholesale suppliers;

13 4) Duration of wholesale power supply contracts
14 awarded under this solicitation shall ensure Default Services is
15 generally reflective of existing market pricing;

16 5) A limit on the amount served by any single wholesale
17 supplier of default service within each AREP service territory;

18 6) A limit on the amount served by any single wholesale
19 supplier in the total ERCOT Default Service market;

20 7) Detailed energy product description; and

21 8) Safeguards to ensure switching restrictions
22 eliminate the potential for economic arbitrage between Default
23 Service and Competitive Retail Electric Providers.

24 (d) The commission shall be responsible for determining the
25 rate mechanism to ensure the price adequately reflects all retail
26 costs and does not impede competitive retail market developments.

27 SECTION 7. This Act takes September 1, 2005.