

BILL ANALYSIS

C.S.H.B. 2421
By: Solomons
State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Electric Reliability Council of Texas (ERCOT) manages the flow of electric power to 21 million Texas customers, representing 85 percent of the state's electric load and 75 percent of the land area of Texas. As the independent system operator for the region (referred to in the statutes as an "independent organization"), ERCOT schedules power on an electric grid that connects 38,000 miles of transmission lines and more than 550 generation units. ERCOT also manages financial settlement for the competitive wholesale bulk-power market and administers customer switching for six million Texans in competitive choice areas. The current composition of the ERCOT board includes the chairman of the Public Utility Commission of Texas (PUC) as an ex officio nonvoting member, the counselor as an ex officio voting member representing residential and small commercial consumer interests, the chief executive officer of the independent organization as an ex officio voting member, five unaffiliated/independent members, one industrial consumer member, one commercial consumer member, and six market participants.

C.S.H.B. 2421 amends the Utilities Code to change the composition of the ERCOT board to include more unaffiliated and independent members and all three sitting commissioners of the PUC.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2421 amends the Utilities Code to require an independent organization, in order to maintain its certification, to operate a regional electrical network that is located entirely in the state.

C.S.H.B. 2421 requires the bylaws of an independent organization to prescribe the professional qualifications necessary for selection as a member of the organization, rather than requiring the bylaws, as under existing law, to specify the process by which appropriate stakeholders elect members and, for unaffiliated members, to prescribe professional qualifications for selection as a member.

C.S.H.B. 2421 modifies the required composition of the governing body of an independent organization. The bill requires the governing body to include each commissioner of the Public Utility Commission of Texas (PUC) as an ex officio nonvoting member, rather than only the chairman of the PUC. The bill eliminates from the required membership the six market participants elected by their respective market segments to represent independent generators, investor owned utilities, power marketers, retail electric providers, municipally owned utilities, and electric cooperatives. The bill requires the governing body to include nine, rather than five, members unaffiliated with any market segment and selected by the other members of the governing body to serve three-year terms. The bill makes a technical change to restate a

requirement that the presiding officer of the governing body be from among the members unaffiliated with any market segment.

C.S.H.B. 2421 requires an independent organization certified by the PUC before September 1, 2009, to modify the organization's governing body to comply with the bill's provisions not later than September 1, 2010. The bill authorizes the PUC to decertify an independent organization that does not comply with the bill's provisions by September 1, 2010.

EFFECTIVE DATE

September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 2421 differs from the original by making a nonsubstantive change referring to a regional electric network "located entirely in this state," rather than "contained wholly within the borders of Texas" as provided by the original. The substitute adds a provision to make a technical change renumbering the statutory subdivision that requires the presiding officer of the governing body to be from among the members unaffiliated with any market segment. The substitute authorizes the PUC to decertify an independent organization that does not comply with requirements to modify its governing body, rather than, as in the original, to decertify an independent organization whose governing body does not comply.