

By: Strama

H.B. No. 4327

A BILL TO BE ENTITLED

AN ACT

1
2 relating to incentives for Texas renewable energy jobs and
3 manufacturing.

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

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

9 SECTION 2. Section 39.904, Utilities Code, is amended by
10 amending Subsections (a), (b), (c), (o), and (p), and adding
11 Subsections (a-1), and (c-1) to read as follows:

12 Sec. 39.904. GOAL FOR RENEWABLE ENERGY. (a) It is the
13 intent of the legislature that by January 1, 2015, an additional
14 5,000 megawatts of generating capacity from tier 1 renewable energy
15 technologies will have been installed in this state. The
16 cumulative installed renewable capacity in this state shall total
17 5,880 megawatts by January 1, 2015, and the commission shall
18 establish a target of 10,000 megawatts of installed renewable
19 capacity by January 1, 2025. The cumulative installed tier 1
20 renewable capacity in this state shall total 2,280 megawatts by
21 January 1, 2007, 3,272 megawatts by January 1, 2009, 4,264
22 megawatts by January 1, 2011, 5,256 megawatts by January 1, 2013,
23 and 5,880 megawatts by January 1, 2015. [~~Of the renewable energy~~
24 ~~technology generating capacity installed to meet the goal of this~~

1 ~~subsection, after September 1, 2005 the commission shall establish~~
2 ~~a target of having at least 500 megawatts of capacity from a~~
3 ~~renewable energy technology other than a source using wind energy.]~~

4 (a-1) It is the goal of the legislature that by January 1,
5 2020, an additional 3,000 megawatts of tier 2 renewable energy
6 technology will have been installed in this state. Of the renewable
7 energy technology generating capacity installed to meet the goal of
8 this subsection, up to 1,000 megawatts of renewable energy storage
9 may qualify to meet that goal. The cumulative installed tier 2
10 renewable energy resource capacity in this state shall total 150
11 megawatts by January 1, 2011, 300 megawatts by January 1, 2012, 700
12 megawatts by January 1, 2013, 800 megawatts by January 1, 2014, 1000
13 megawatts by January 1, 2015, 1,300 megawatts by January 1, 2016,
14 1,500 megawatts by January 1, 2017, 1,800 megawatts by January 1,
15 2018, 2,400 megawatts by January 1, 2019, and 3,000 megawatts by
16 January 1, 2020.

17 (b) The commission shall establish a tier 1 renewable energy
18 credits trading program and a tier 2 renewable energy credits
19 trading program. Any retail electric provider, municipally owned
20 utility, or electric cooperative that does not satisfy the
21 requirements of Subsection (a) by directly owning or purchasing
22 capacity using renewable energy technologies shall purchase
23 sufficient renewable energy credits to satisfy the requirements by
24 holding renewable energy credits in lieu of capacity from renewable
25 energy technologies. In calculating capacity factors for tier 2
26 renewable energy credits, the commission shall encourage a diverse
27 portfolio of tier 2 renewable energy technologies.

1 (c) (c) Not later than January 1, 2000, the commission
2 shall adopt rules necessary to administer and enforce this section.
3 At a minimum, the rules shall:

4 (1) establish the minimum annual renewable energy
5 requirement for each retail electric provider, municipally owned
6 utility, and electric cooperative operating in this state in a
7 manner reasonably calculated by the commission to produce, on a
8 statewide basis, compliance with the requirement prescribed by
9 subsections (a) and (a-1) [~~Subsection (a)~~] and

10 (2) specify reasonable performance standards that all
11 renewable capacity additions must meet to count against the
12 requirement prescribed by subsections (a) and (a-1) [~~Subsection~~
13 ~~(a)~~] and that:

14 (A) are designed and operated so as to maximize
15 the energy output from the capacity additions in accordance with
16 then-current industry standards; and

17 (B) encourage the development, construction, and
18 operation of new renewable energy projects at those sites in this
19 state that have the greatest economic potential for capture and
20 development of this state's environmentally beneficial renewable
21 resources.

22 (c-1) Not later than January 1, 2011, the commission shall
23 adopt rules necessary to provide a "Made in Texas" incentive for
24 tier 1 and tier 2 renewable energy credits generated by generation
25 equipment that is wholly produced or substantially transformed by a
26 Texas workforce, as determined by the commission. The incentive
27 under this subsection shall be available for the first three years

1 after the renewable energy equipment first produces electricity on
2 a commercial basis.

3 (c-2) Not later than January 1, 2011, the commission shall
4 adopt rules necessary to track and account for renewable energy
5 credits earned from electric generating capacity derived from
6 renewable energy storage technology. The rules shall:

7 (1) allow for the renewable energy storage technology
8 to be located on the same or on a different site as the renewable
9 generation being stored;

10 (2) ensure that only one renewable energy credit is
11 retired for every megawatt hour of renewable energy generated prior
12 to being stored for later release; and

13 (3) account for any loss in energy resulting from
14 storage for later use.

15 (d) For purposes of [In] this section,

16 (1) "tier 1 renewable energy technology" [~~"renewable~~
17 ~~energy technology"~~] means any technology that exclusively relies on
18 an energy source that is naturally regenerated over a short time and
19 derived directly from the sun, indirectly from the sun, or from
20 moving water or other natural movements and mechanisms of the
21 environment. Renewable energy technologies include those that rely
22 on energy derived directly from the sun, on wind, geothermal,
23 hydroelectric, wave, or tidal energy, or on biomass or
24 biomass-based waste products, including landfill gas. A renewable
25 energy technology does not rely on energy resources derived from
26 fossil fuels, waste products from fossil fuels, or waste products
27 from inorganic sources.

1 (2) "tier 2 renewable energy technology" means tier 1
2 renewable energy technology excluding energy derived from wind with
3 a capacity of more than 150 kilowatts.

4 (3) "renewable energy storage technology" means
5 energy storage technology that stores for later release energy
6 derived from tier 1 or tier 2 renewable energy technology.

7 (n) Notwithstanding any other provision of law, the
8 commission shall have the authority to cap the price of renewable
9 energy credits and may suspend the goal contained in subsections
10 (a) and (a-1) [Subsection (a)] if such suspension is necessary to
11 protect the reliability and operation of the grid.

12 (o) The commission may establish tier 1 and tier 2 [an]
13 alternative compliance payments [payment]. An entity that has a
14 renewable energy purchase requirement under this section may elect
15 to pay the alternative compliance payment instead of applying
16 renewable energy credits toward the satisfaction of the entity's
17 obligation under this section. [~~The commission may establish a~~
18 ~~separate alternative compliance payment for the goal.~~] The tier 1
19 alternative compliance payment from a renewable energy purchase
20 requirement that could be satisfied with a renewable energy credit
21 from wind energy may not be less than \$2.50 per credit or greater
22 than \$20 per credit. Prior to September 1, 2009, an alternative
23 compliance payment under this subsection may not be set above \$5 per
24 credit. The tier 2 alternative compliance payment that could be
25 satisfied with a tier 2 renewable energy credit shall not be less
26 \$90 per renewable energy credit before December 31, 2014; \$80 per
27 renewable energy credit before December 31, 2015; \$65 per renewable

1 energy credit before December 31, 2016; \$45 per renewable energy
2 credit before December 31, 2017; \$40 per renewable energy credit
3 before December 31, 2018; \$35 per renewable energy credit before
4 December 31, 2019; \$30 per renewable energy credit before December
5 31, 2020. In implementing this subsection, the commission shall
6 consider:

7 (1) the effect of renewable energy credit prices on
8 retail competition;

9 (2) the effect of renewable energy credit prices on
10 electric rates;

11 (3) the effect of the alternative compliance payment
12 level on the renewable energy credit market; and

13 (4) any other factors necessary to ensure the
14 continued development of the renewable energy industry in this
15 state while protecting ratepayers from unnecessary rate increases.

16 (p) Tier 2 alternative compliance payment funds collected
17 by the commission shall be deposited into the Texas Emerging
18 Technology Fund and allocated exclusively for the research and
19 development of tier 2 renewable energy technologies and to
20 renewable energy storage technologies.

21 SECTION 3. This Act takes effect September 1, 2009.