

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 21, 2009

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB1243 by Gallego (Relating to net metering for retail electric service customers and compensation for excess electricity generated by a retail electric customer's on-site generator.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1243, As Engrossed: a negative impact of (\$200,000) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$200,000)
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2010	(\$200,000)
2011	\$0
2012	\$0
2013	\$0
2014	\$0

Fiscal Analysis

The bill would amend various provisions regarding distributed renewable generation and interconnection with electricity utilities, including a requirement for electric utilities to pay a distributed renewable generation owner in an area that has introduced customer choice a fair market value for excess energy. The bill would require that a distributed renewable generation owner in an area in which customer choice has not been introduced, who chooses to sell surplus electricity, must sell it at a value that is greater than or equal to the avoided cost of the electric utility or electric cooperative, as determined in accordance with Commission rules. The bill would require the Public Utility Commission (PUC) to adopt rules to establish interconnection and equipment standards that a distributed renewable generation must meet to qualify for compensation. The bill would require the

PUC to establish a methodology for determining the fair market value of surplus energy. The bill would authorize the PUC to require electric utilities, electric cooperatives, and retail electric providers to disclose on a customer's bill the amount of surplus energy, the value of any credit for surplus energy, and the value of any credit for surplus energy that is carried over from a prior month.

The bill would establish provisions for the interconnection of distributed renewable energy generation to facilities of a municipal utility and would require the governing body of the municipal utility to adopt rates, rules, and procedures. The PUC would only administer this section in the case of a municipal utility that has introduced retail choice in its service area through establishing by rule interconnection and net metering standards.

The bill would require the PUC to post on its Power-to-Choose website information on a retail electric provider's offers for purchase of surplus energy and information on offers for the purchase of renewable energy credits. The bill would also direct the PUC to require electric cooperatives, retail electric providers, and electric utilities to provide information on their internet websites regarding purchase price offers for surplus distributed renewable generation.

The bill would require the PUC to conduct a study to determine the effect of pricing methodology and to report its findings to the legislature no later than January 15, 2011. The bill would require the report to include recommendations for improvements in policies to encourage the development of distributed renewable generation technologies.

The bill would take effect immediately if it receives a vote of two-thirds of all the members elected to each house. If not, the bill would take effect September 1, 2009.

Methodology

The PUC anticipates contracting with a third party to complete the study required by the bill. Based on the analysis of the PUC, it is assumed the estimated cost of contracting the required study would be \$200,000 in Fiscal Year 2010.

Based on the analysis of the PUC, the rulemakings required to incorporate the provisions of the bill could be accomplished by utilizing existing agency resources.

Local Government Impact

The bill could have an impact on municipalities that own electric utilities, but the impact cannot be determined due to the unknown number of owners of distributed renewable generation facilities that would connect to municipal utilities and request compensation.

Source Agencies: 473 Public Utility Commission of Texas

LBB Staff: JOB, JRO, MW, ES