BILL ANALYSIS

Senate Research Center
83R20772 JXC-D

C.S.S.B. 1280
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Business & Commerce
4/10/2013
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Electric Reliability Council of Texas (ERCOT) and the Public Utility Commission of Texas (PUC) have been discussing resource adequacy since 2011, yet specific direction has been slow to emerge and market participants lack the guidance they need to directly address and resolve resource adequacy concerns. In a January letter to ERCOT and PUC, the President and chief executive officer of the North American Electric Reliability Corporation (NERC) stated that "solutions have not yet sufficiently materialized to address NERC's reserve margin concern" despite more than a year of discussion on the topic. NERC is a corporation founded by the electric industry to create commonly accepted standards for electric reliability across North America; as a result of the Energy Policy Act of 2005, NERC has "the authority to create and enforce compliance with Reliability Standards."

Despite the rapid deployment of smart meters, demand response has not developed rapidly in part because PUC has failed to direct ERCOT in this regard. The Brattle Report contracted by ERCOT to develop strategies to address resource adequacy focused heavily on demand response as a necessary component to maintain a reliable and competitive electric market.

C.S.S.B. 1280 directs ERCOT, in the event of an anticipated short-fall for meeting peak demand, to satisfy that shortfall through acquiring voluntary demand response from a diverse customer base. This approach has the dual benefit of ensuring reliability while providing customers with the opportunity to reduce their electric bills through participation in voluntary demand response programs.

Should PUC or ERCOT develop effective means of addressing resource adequacy this program will not be used; however, in the absence of meaningful guidance from PUC, C.S.S.B. 1280 ensures that ERCOT will have the tools necessary to ensure resource adequacy and to develop functional demand response programs for all customer classes.

C.S.S.B. 1280 amends current law relating to attaining reserve capacity margins in power regions to meet expected peak demand.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter D, Chapter 39, Utilities Code, by adding Section 39.161, as follows:

> Sec. 39.161. POWER REGION RESERVE MARGIN. (a) Requires the independent organization certified under Section 39.151 (Essential Organizations) for each power region, not later than July 1 of each year, to study and project for the following year the:
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> > (1) anticipated and installed generation capacity located in or capable of delivering electricity to the power region;

(2) expected peak demand in the power region; and

(3) amount of reserve capacity necessary to maintain a reliability standard set by the Public Utility Commission of Texas for the power region.

(b) Requires the organization, if the independent organization determines under Subsection (a) that the amount of reserve capacity available for the following year will not maintain the reliability standard relative to the expected peak demand and a capacity deficit may occur, to acquire incremental capacity through opt-in load participation programs, with at least 20 percent of the incremental capacity being attained from each of the residential, commercial, and industrial classes.

SECTION 2. Effective date: September 1, 2013.