

BILL ANALYSIS

Senate Research Center

S.B. 601
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current measures to increase consumers' energy efficiency have proven quite successful in Texas and nationwide. In Texas, electric companies have energy efficiency targets to meet but are not aimed at reducing peak demand. By moving toward reducing peak demand, energy can be saved when it is normally used the most.

As proposed, S.B. 601 changes the energy efficiency targets electric utilities are required to meet by restructuring the goals based on 0.5 percent of the company's peak demand by January 1, 2012, and 1.0 percent by January 1, 2015. S.B. 601 also sets a 200 megawatts goal for demand-side renewable energy systems by January 1, 2015. This bill also requires the Public Utility Commission of Texas to provide oversight and adopt rules and procedures to ensure that utilities can achieve these goals through certain objectives.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Public Utility Commission of Texas is modified in SECTION 1 (Section 39.905, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 39.905, Utilities Code, as follows:

(a) Provides that it is the goal of the legislature to include that:

(1) Makes no changes to this subdivision.;

(2) electric utilities help build an infrastructure of trained and qualified energy services providers such that all customers, in all customer classes, will have a choice of and access to energy efficiency alternatives and other choices from the market, including demand-side renewable energy systems, that allow each customer to reduce energy consumption, peak demand or energy costs;

(3) each electric utility will annually provide, through a cost-effective portfolio of market-based standard offer programs or limited, targeted, market-transformation programs, incentives sufficient for retail electric providers and competitive energy service providers to acquire additional energy efficiency for customers, other than transmission-level industrial facilities, equivalent to at least 0.5 percent of the electric utility's peak demand, other than demand by transmission-level industrial facilities, by January 1, 2012, and 1 percent of the electric utility's peak demand, other than demand by transmission-level industrial facilities, by January 1, 2015. Deletes existing text providing that each electric utility annually provide, through market-based standard offer programs or limited, targeted, market-transformation programs, incentives sufficient for retail electric providers and competitive energy service providers to acquire additional cost effective energy efficiency for residential and commercial customers equivalent to at least 10 percent of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2007; 15 percent of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2008, provided that the electric utility's program expenditures for 2008 funding are prohibited from being greater than 75 percent above the utility's program

budget for 2007 for residential and commercial customers, as included in the April 1, 2006, filing; and 20 percent of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2009, provided that the electric utility's program expenditures for 2009 funding are prohibited from being greater than 150 percent above the utility's program budget for 2007 for residential and commercial customers, as included in the April 1, 2006, filing;

(4) each utility will provide, as part of its overall portfolio of efficiency programs, sufficient incentives for its load-proportionate share of 200 megawatts of demand-side renewable energy systems by January 1, 2015, and defines "demand-side renewable energy system.";

(5) each electric utility in the Electric Reliability Council of Texas (ERCOT) region is required to create specific programs at a scale sufficient to facilitate the involvement of the region's retail electric providers in the mass marketing and widespread delivery of efficiency programs and demand-side renewable programs under this section. Deletes existing text that requires each electric utility in the ERCOT region to use its best efforts to encourage and facilitate the involvement of the region's retail electric providers in the delivery of efficiency programs and demand response programs under this section. Makes a nonsubstantive change.;

(6) Creates this subsection from existing text. Makes a nonsubstantive change; and

(7) Creates this subsection from existing text. Makes a nonsubstantive change.

(b) Requires the Public Utility Commission of Texas (PUC) to provide oversight and adopt rules and procedures to ensure that the utilities can achieve the goal of this section, through certain objectives, including:

(1) Makes no changes to this subdivision.;

(2) establishing an incentive under Section 36.204 (Cost Recovery and Incentives) to reward utilities administering programs under this section that exceed the minimum goals established by this section, sufficient to mitigate the impact of any lost revenues associated with the success of efficiency-related programs required by this section;

(3)-(5) Makes no changes to these subdivisions.;

(6) ensuring programs operate at sufficient scale to reduce the rate of free ridership, achieve the goal that all eligible customers have access to program opportunities, and allow retail electric providers and competitive energy service providers to successfully undertake the mass marketing and widespread delivery of the programs required by this section to customers;

(7) establishing a statewide market transformation program to achieve the goals, at a minimum, of 50 MW of demand-side renewable systems by January 1, 2012, and 200 MW of demand-side renewable systems by January 1, 2015;

(8) ensuring that demand-side renewable energy programs under this section encourage the utilities, through retail electric providers, to pass on the value of the incentives to end-use consumers; and

(9) ensuring that efficiency and demand-side renewable energy programs under this section lead to a significant and continuing reduction in demand or energy consumption, or costs, by using a ten-year measure life as the basis for calculating the contribution of either particular measures or programs toward the satisfaction of the goal of this section.

(b-1) Makes no changes to this subsection. Deletes existing Subsection (b-2), requiring PUC to conduct a study to be funded by electric utilities, regarding cost effective energy efficiency in this state, and to submit, not later than January 15, 2009, to the legislature a report regarding certain PUC findings, determinations, recommendations, and identifications.

(b-2) Redesignates Subsection (b-3) as Subsection (b-2).

(b-3) Redesignates Subsection (b-4) as Subsection (b-3). Makes conforming changes.

(c) Makes no changes to this subsection.

(d) Prohibits a market transformation program which is launched as a pilot program from being continued for more than three years without PUC determination that it is an appropriate vehicle to address special market barriers that prevent or inhibit the measure or behavior addressed from being delivered or adopted through normal market channels, under the utility's standard offer programs. Deletes existing text authorizing PUC, in evaluating program options, to consider the ability of a program option to reduce costs to customers through reduced demand, energy savings, and relief of congestion. Deletes existing text authorizing utilities to choose to implement any program option approved by PUC after its evaluation in order to satisfy the goal in Subsection (a), including certain programs.

(e)-(g) Makes no changes to these subsections.

SECTION 2. Effective date: September 1, 2009.