

# Public Utility Law Section Annual Meeting & Seminar



Recap of the PUC and ERCOT Sunset  
Reviews for the 2011 Texas Legislative  
Session

**Rafael M. Anchia**

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*Texas State Representative for District 103*

**haynesboone**

Setting precedent.



## What is the Sunset Advisory Commission?

- **Sunset is the regular assessment of the continuing need for a state agency to exist.**
- **Sunset asks a more basic question: Do the agency's functions continue to be needed?**
- **The Sunset process works by setting a date on which an agency will be abolished unless legislation is passed to continue its functions.**
- **This creates a unique opportunity for the Legislature to look closely at each agency and make fundamental changes to an agency's mission or operations if needed.**

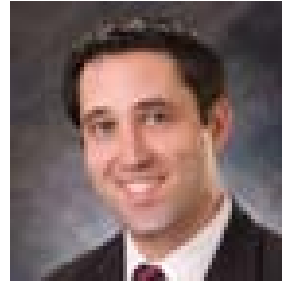
## Who sits on the Sunset Advisory Commission?

- **The Sunset Advisory Commission is composed of 12 members**
- **Five members of the Senate appointed by the Lieutenant Governor**
- **Five members of the House of Representatives appointed by the Speaker of the House**
- **Two members of the public, one each appointed by the Lieutenant Governor and the Speaker of the House**

# Sunset Advisory Commission

## Senate Members

**Glenn Hegar, Jr.**  
Chair  
Katy  
2007-2011



**Robert Nichols**  
Jacksonville  
2009-2013



**Juan “Chuy” Hinojosa**  
McAllen  
2007-2011



**John Whitmire**  
Houston  
2009-2013



**Joan Huffman**  
Houston  
2009-2013



**Charles McMahan  
Schulenberg**  
Public Member  
2009-2011



# Sunset Advisory Commission

## House Members

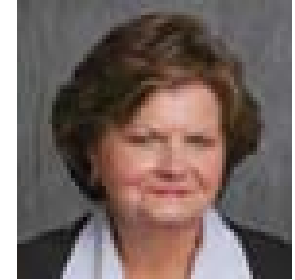
### **Dennis Bonnen**

Vice Chair  
Angleton  
2009-2013



### **Linda Harper-Brown**

Irving  
2007-2011



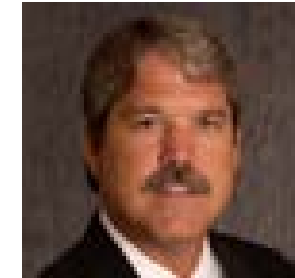
### **Rafael Anchia**

Dallas  
2009-2013



### **Larry Taylor**

Friendswood  
2010-2013



### **Byron Cook**

Corsicana  
2009-2013



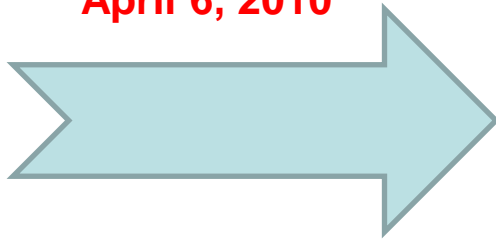
### **Lamont Jefferson**

San Antonio  
Public Member  
2009-2011



# Sunset Advisory Commission Review Schedule 2010 - 2011

**April 6, 2010**



## **Public Testimony**

**Coastal Coordination Council  
Commission on State Emergency  
Communications  
Texas Public Finance Authority  
State Soil and Water Conservation Board**

# Sunset Advisory Commission Review Schedule 2010 - 2011 (cont'd)

**May 25 & 26, 2010**



## **Public Testimony**

Capital Metropolitan Transportation Authority  
Electric Reliability Council of Texas  
Office of Injured Employee Counsel  
Texas Department of Insurance  
Office of Public Insurance Counsel  
Public Utility Commission of Texas  
Office of Public Utility Counsel  
Workers Compensation Division of TDI

## **Commission Decisions**

Coastal Coordination Council  
Commission on State Emergency Communications  
Texas Public Finance Authority  
State Soil and Water Conservation Board



# Sunset Advisory Commission Review Schedule 2010 - 2011 (cont'd)

**July 6, 2010**



## **Commission Decisions**

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Electric Reliability Council of Texas  
Office of Injured Employee Counsel  
Texas Department of Insurance  
Office of Public Insurance Counsel  
Public Utility Commission of Texas  
Office of Public Utility Counsel  
Workers Compensation Division of TDI**

# Sunset Advisory Commission Review Schedule 2010 - 2011 (cont'd)

**November 16 & 17, 2010**



## **Public Testimony**

**State Committee of Examiners in the Fitting and  
Dispensing of Hearing Instruments  
Texas Department of Housing and Community Affairs  
Department of Information Resources  
State Board of Examiners for Speech-Language  
Pathology and Audiology  
Texas Water Development Board**

# Sunset Advisory Commission Review Schedule 2010 - 2011 (cont'd)

**December 15 & 16, 2010**



## **Public Testimony**

**Texas Commission on Environmental Quality  
Equine Research Account Advisory Committee  
Texas Forest Service  
Texas State Affordable Housing Corporation  
Texas Juvenile Probation Commission  
On-site Wastewater Treatment Research Council  
Texas Racing Commission  
Railroad Commission of Texas  
Texas Department of Transportation  
Texas Youth Commission**

# Sunset Advisory Commission Review Schedule 2010 - 2011 (cont'd)

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**December 15 & 16, 2010**



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# Sunset Advisory Commission Review Schedule 2010 - 2011 (cont'd)

**December 15 & 16, 2010**



## **Compliance Report**

Sunset Recommendations from the 81<sup>st</sup> Legislature

## **Commission Decisions**

Texas Commission on Environmental Quality  
Equine Research Account Advisory Committee  
Texas Forest Service  
Texas State Affordable Housing Corporation  
Texas Juvenile Probation Commission  
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# Major Issues From Sunset Reviews So Far

## Public Utility Commission

Recommendations from the Sunset hearing included:

- Making it easier for consumers to get access to and information on complaints against electric companies by putting the information in one place and in terms easy for consumers to understand.
- Increasing the PUC's administrative penalty authority to \$100,000 per violation per day for violations of ERCOT's reliability protocols or PUC's wholesale reliability rules.
- **Issue of restitution for market abuse was in the staff recommendations but the Commission opted not to take this up and let the legislature decide the issue.**

## **The Electric Reliability Council Of Texas**

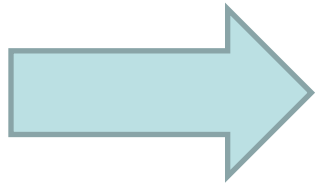
**Recommendations from the Sunset hearing included:**

- Requiring the PUC to exercise additional oversight authority of ERCOT by an annual review and approval of ERCOT's entire budget and prior review and approval of all uses of debt financing.**
- Restructuring the ERCOT board so that electric market stakeholders do not have a majority on the board.**

# Sunset Advisory Commission: Process Vs. Policy

- **Not every issue raised during the Sunset review process makes it into the report.**
- **There are always issues of “process vs. policy” when the Sunset staff is deciding whether or not to include an issue in the report.**
- **The same concerns are raised by Sunset Commission members when voting on new issues.**
- **The following are some of the issues that were raised during the PUC and ERCOT hearings which were not included in the final recommendations.**

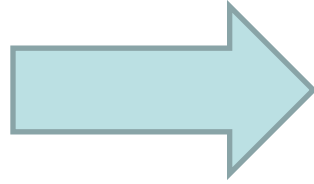
# Sunset Advisory Commission: New Issues For Next Session



## **Energy Efficiency Coordinating Council**

- **After Sunset reviews of the Railroad Commission and TCEQ, the Commission will look at the possibility of creating an energy efficiency coordinating council.**
- **The council would be composed of presiding officers from PUC, TCEQ, ERCOT, State Energy Conservation Office, Texas Department of Housing and Community Affairs, the Office of Rural Community Affairs, public members, including ratepayers and representatives of the environmental community, TAMU Energy Systems Laboratory and the utility efficiency managers.**

# Sunset Advisory Commission: New Issues For Next Session



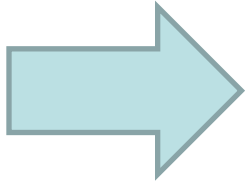
## **Energy Efficiency Coordinating Council**

**(con't)**

➤ **The Council would :**

- ❖ **review required reports and submissions and ensure no duplication of effort,**
- ❖ **hold hearings open to the public to increase transparency of programs,**
- ❖ **establish a portal of information on efficiency programs for the public,**
- ❖ **set an annual goal for statewide energy savings and ensure all programs meet their portions of the goal and adjust accordingly, and**
- ❖ **compile comprehensive data from all efficiency programs and report them to ERCOT to be used in future demand projections.**

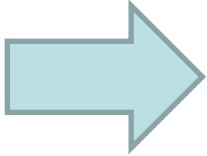
# Sunset Advisory Commission: New Issues For Next Session



## **Third Party Evaluation, Measurement, and Verification**

- **This recommendation would require a structural change for all the PUC energy efficiency programs. It would replace internal audit programs that some of the utilities use with a framework that :**
  - (1) implements best practices before energy efficiency programs begin,**
  - (2) establishes measurement criteria, and**
  - (3) verifies the results by an industry standard methodology.**

# Sunset Advisory Commission: New Issues For Next Session



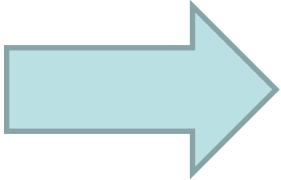
**Mandate 5000 MW of non-wind renewable (solar, geothermal, biomass) by 2025.**



**Create a Texas Energy Storage Portfolio Standard**

- **Currently ERCOT and the PUC have been considering the role of energy storage in the ERCOT operating region and the state of TX.**
- **Current ERCOT operating rules do not define a role for storage, the ERCOT market is defined as generators or as loads, a third designation needs to be clearly delineated.**
- **Energy Storage can provide ancillary services including providing voltage and frequency services that can greatly enhance the quality of the energy supplied by the grid.**

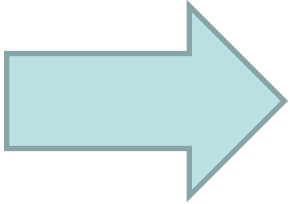
# Sunset Advisory Commission: New Issues For Next Session



## **Demand Response**

**Require ERCOT to develop a strong Economic Demand Response Program to reduce energy use within its energy market.**

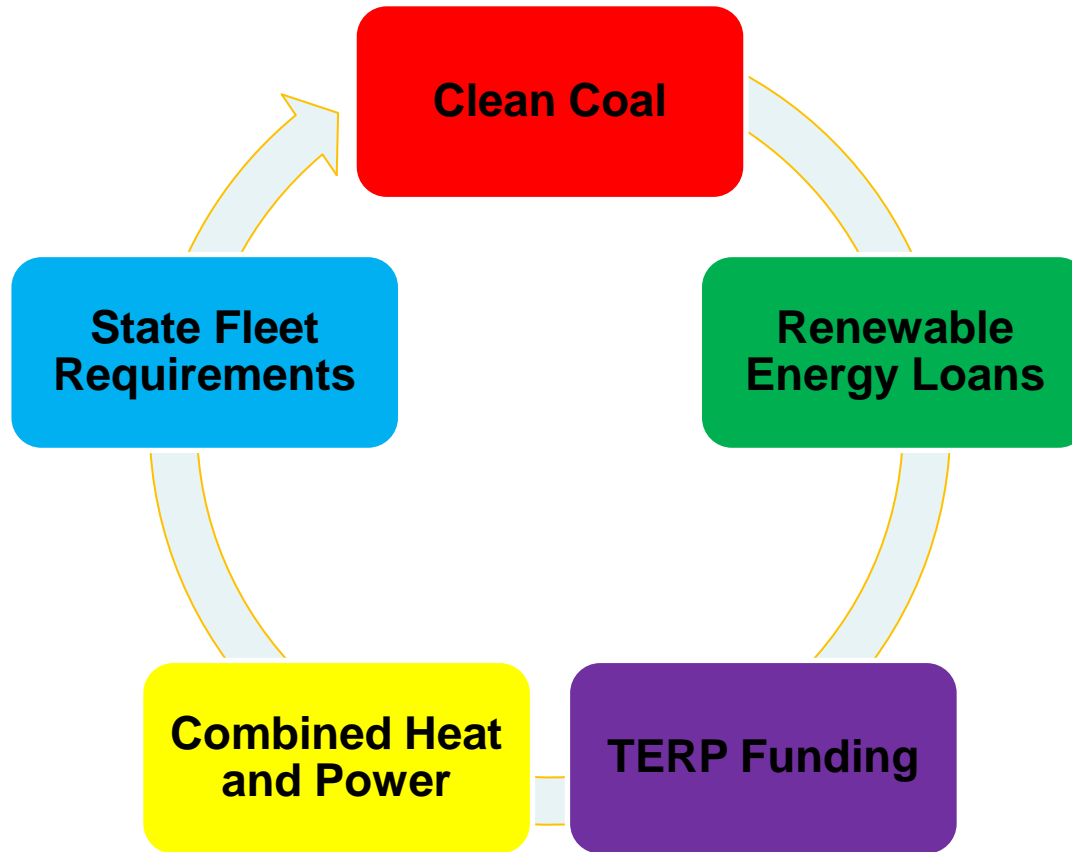
# Sunset Advisory Commission: New Issues For Next Session



## **Long Term Demand Forecast**

**The PUC should develop a bi-annual adjusted load forecast from all anticipated renewable energy and energy efficiency savings resulting from efficiency programs, improvements in building codes, appliance standards and stimulus funds.**

# Issues From Last Session: What Passed



## Clean Coal Bill

**HB 469 by King and Anchia**

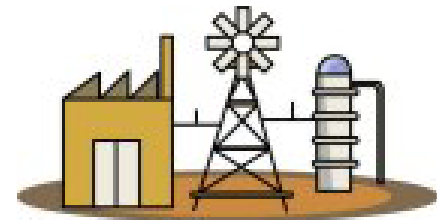
- Last session, the legislature passed HB 469 to provide incentives to power generation companies to develop clean coal technology – technology that would allow CO<sub>2</sub> emissions to be captured from the waste stream of a power plant and sequestered underground.



## Loans for Renewable Energy Projects

**HB 1937 by Villarreal**

- **Authorizes cities to provide loans to property owners to cover the upfront costs of installing solar panels, improving energy efficiency, and other energy upgrades.**
- **The loans will attach to the property rather than the individual, allowing them to be paid off in the long-term through property taxes as the property owners recoup the investment through lower utility bills. The cities of San Antonio, Austin and Houston, among others, have stated their intent to implement the legislation.**



## Combined Heat and Power Alternatives

**SB 12 by Carona**

- Requires local governments to consider Combined Heat and Power alternatives when building certain critical facilities such as command and control centers, hospitals, shelters, prisons, jails, police and fire stations, or water and wastewater facilities.

## State Fleet Requirements

**HB 432 by Lucio**

- **Creates a mandatory requirement that all state vehicle fleets use alternative fuels, including biodiesel, electricity, propane, or natural gas. A big win for the alternative fuel industry, this legislation will expand the market for these alternate fuels.**



## Electricity Storage Incentives

**HB 1796 by Chisum**

- **Contains a key element of Senator Averitt's omnibus clean air legislation—a grant program for electricity storage projects related to renewable energy. The funding for this grant program was included in the budget for the Texas Commission on Environmental Quality (TCEQ) in the general appropriations act. These electricity storage projects could pave the way for utility-scale solar energy projects and further expansion of Texas wind power.**
- **HB 1796 also expands TERP objectives to include advancing new technologies that reduce nitrogen oxide (NOx) emissions from stationary sources such as the gas-fired internal combustion engines in East Texas and the cement kilns near Dallas.**

## TERP Funding for Commercial Fleets

**SB 1759 by Watson**

- **Allows Texas businesses to tap into the Texas Emissions Reduction Plan (TERP) funding to subsidize the cost of new, clean commercial fleets run on alternate fuels. Vehicles that run on biofuels are eligible for this funding, another big win for the renewable fuels industry.**



## Possible Rulemaking by State Agencies

- On July 30, 2010, the PUC commissioners reduced the efficiency goal from 1 percent of peak demand by 2014 to a third of the growth in demand by 2013 – a much smaller increase.
- The PUC has also proposed curtailing the amount utilities can spend on efficiency measures.
- The PUC has proposed a rule that sets a goal of achieving 500 Megawatts of non-wind renewable energy (including 50 Megawatts of solar) by 2015 through the RPS.
- The State Energy Conservation Office is also discussing updating the state building codes to reflect 2009 International Energy Conservation Code (IECC).

## Energy Efficiency Bill

### **HB 280/SB 546 (Died in Conference Committee)**

**SB 546 would have increased the state's energy efficiency goals and changed the standard to a percentage of peak demand rather than a percentage of load growth. SB 546 would have established annual efficiency goals of:**

- 30 percent of annual growth in demand by January 1, 2012, rather than 10 percent by 12/31/07;**
- 0.5 percent of peak demand by January 1, 2013, rather than 15 percent of annual growth in demand by 12/31/08**
- 1 percent of peak demand by January 1, 2016, rather than 20 percent of annual growth in demand by 12/31/09**
- SB 546 would have required each electric utility to administer an energy efficiency program designed to meet an energy savings goal calculated from its demand savings goal, using a capacity factor of 25 percent.**

## Solar Incentives

### **SB 545 (Died on Major State Calendar)**

- **SB 545 established a solar generation incentive program that would make it easier and cheaper for Texans to bring solar energy into homes and businesses. It also allowed Texas to become more energy independent and meet renewable energy goals.**
- **The incentive program would be funded by a nominal flat fee on customers' electricity bills, making administering this program more predictable. Everyone would benefit from a cleaner environment from solar energy generation. The loan program allowing schools to switch to solar power would reduce their electric bills and generate income in the summer months.**

## Distributed Renewable Generation

### HB 278 (Left Pending in Committee)

- **HB 278 created a statewide incentive program for customers (including residential, commercial and industrial customers) to install distributed renewable energy (DRG), including solar, wind and geothermal energy generated on the consumer's side of the meter.**
- **The bill set a goal of achieving 750 megawatts of distributed renewable energy on the grid by 2015 and 2000 megawatts by 2020.**

## Net Metering

### **HB 1243 (Died before going to Conference Committee)**

- **HB 1243 would have required electric utilities, electric cooperatives, or retail electric providers (REPs) to contract with owners of distributed renewable generation (DRG) so that surplus electricity produced by DRG would be available for sale to the transmission and distribution system at fair market value, credited to the DRG owner.**

## Green State Buildings

### HB 431 (Senate did not adopt Conference Report)

- The measure would have set energy efficiency standards for state buildings, including universities and public schools that would provide minimum requirements for energy use, natural resources use, and indoor air quality.



# WHAT YOU CAN DO TO HELP

- Contact your state legislators to let them know you care about energy and environmental issues.
- Join or donate to organizations that promote these issues.
- Educate yourself about what bills are introduced next session that promote energy efficiency, clean energy, and the environment and contact the legislators to let them know you support those bills.
- Spread the word to your friends, neighbors and co-workers and encourage them to get involved as well.

# Public Utility Law Section Annual Meeting and Seminar



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Setting precedent.

