

CCET Board Meeting

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Public Utility Commission

September 4, 2008

Governor's Competitiveness Council

- Governor Perry appointed a 29 member Council in November of 2007 to study competitiveness
- Council was comprised of leaders from the private sector—all major growth industries—and leaders from the state agencies that affect the economic strength of the state and its businesses
 - Broad group of industry leaders, from Dell to Texas Instruments to Luminant Energy
 - Broad group of agency leaders, from TEA to TWC to PUC, RRC, and TCEQ

Governor's Competitiveness Report

- Council presented Governor with Competitiveness Report on August 6, 2008
- The Report studied the six fastest growing clusters, including Energy and Petrochemical
 - The Report looks at what businesses in Texas need to succeed in a global economy
 - It covers the following critical areas: talent development (workforce and education), innovation, infrastructure, resources, and governance
- Because of the Council's work, the Governor intends to evaluate all legislation to determine if it makes the state more or less competitive

Texas State Energy Plan

- Council also presented Governor with Texas State Energy Plan on August 6, 2008
- The Energy Plan focused on keeping a strong energy market in Texas
 - to support the growth of the state and
 - to ensure that Texas businesses remain or become more competitive in a global economy
- The Plan includes recommendations in the areas of generation, transmission and distribution, retail, energy efficiency and demand side management, and governance

Wholesale Market Recommendations

- Instead of re-regulation, we need more generation diversity to lessen Texas' reliance on natural gas
- Need to find ways to encourage the deployment of fuels like nuclear, solar, biomass, and other sources that will lessen that dependence
- Texas needs to develop a clean coal technology using its vast resources of lignite
 - State should create a state innovation prize, funded with private/public dollars, for the development of a clean coal technology that use Texas lignite
 - State should provide sales tax exemption for equipment used to capture and store carbon dioxide from facilities using Texas lignite

Wholesale Market

Recommendations

- State should establish a partnership between institutions of higher education and industry to study entire nuclear fuel cycle, including recycling spent fuel
- TCEQ should expedite necessary permitting for nuclear plants
- Texas should establish an innovation prize, funded with private/public dollars, for the commercialization of large-scale energy storage
- The PUC and ERCOT should study whether an additional operating reserve service to manage wind would be a cost-effective solution

Wholesale Market Recommendations

- State should have incentives in place, limited in scope and time, to encourage further deployment of solar
 - Texas Department of Housing and Community Affairs should offer additional points to applicants who install solar panels and other solar products on housing available to those of limited income
 - Texas should provide a sales tax exemption for the purchase and installation of solar generation systems
- Texas should identify and resolve barriers to accelerating development of in-state natural gas assets

Wholesale Market Recommendations

- Potential carbon legislation will cost Texans more than those living in other states
 - The State should form a public/private partnership to educate the public on the cost of carbon regulation to Texans. The partnership should inform its work by conducting a study highlighting the cost versus the environmental benefit
 - State policy makers should bring a Texas perspective to federal carbon policy debates and educate Washington on the economic value of Texas' energy production to the nation

Energy Efficiency & Demand Response Recs

- The state should require TDUs to deploy advanced meters, with an appropriate cost recovery mechanism
- The PUC should ensure that ERCOT cost-effectively ensures that all retail customers have the option to be settled on 15-minute increments
- If the PUC study indicates a greater potential for cost-effective energy efficiency reductions, Texas should raise the energy efficiency goals to the higher levels contemplated under current law
- PUC should incorporate EE/DR in its educational campaign

Retail Market Recommendations

- The state should resist efforts to re-regulate the market and instead adopt the recommendations in this plan
- The PUC should revisit certification standards for REPs and evaluate whether current standards are adequate given the significant changes that have transpired since the opening of the retail market
- The state should reinstitute funding for the PUC's customer education efforts, and the Governor should direct the PUC to incorporate the topics addressed in this plan into the educational campaign

Transmission and Distribution Recommendations

- In order to proactively address the addition of wind capacity, the PUC should quickly conclude the CREZ process, select a transmission plan, and issue needed CCNs for CREZ lines
- The state should encourage onshore and offshore wind generation along the Texas Gulf Coast
- The PUC should require ERCOT and TDUs to study dynamic line rating

Transmission and

Distribution Recommendations

- The PUC should identify and resolve any legal or regulatory barriers to the development of merchant transmission
- The Governor should request the PUC, institutions of higher education, ERCOT and industry evaluate new conductors and propose sites where these technologies could provide value
- The PUC should study alternative forms of rate making
- The state should partner with higher education and industry to develop and promote advanced transmission and distribution technologies and incent investment in the research and development of these technologies

Questions

