

SHOULD TEXAS CONSIDER EXPORTING CLEAN ENERGY TO OTHER STATES?

BACKGROUND

We have always been energy leaders here in Texas, and our leadership continues in the new clean energy economy. We have an abundance of homegrown clean energy like natural gas, solar and wind power that we use to produce electricity, helping our businesses prosper, keeping home electric rates affordable and growing our economy.

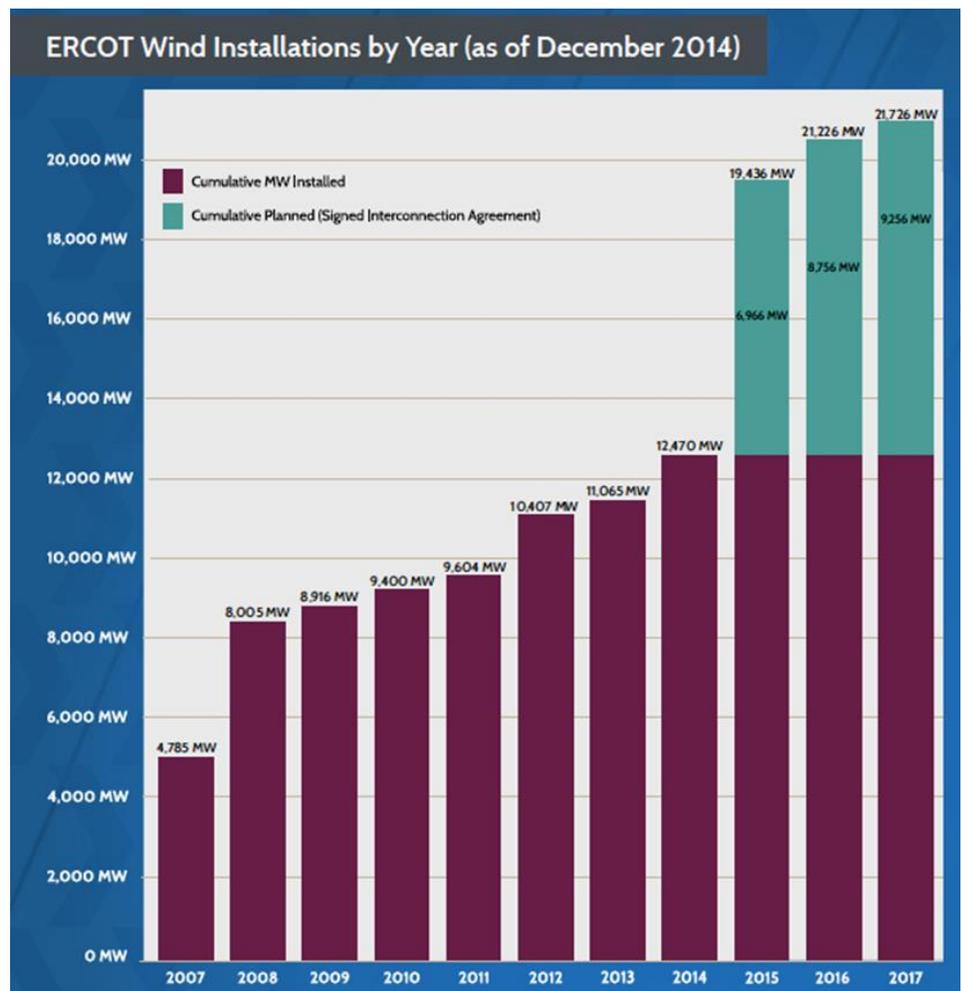
Texas claims the largest wind fleet in the country and is home to five of the world’s 15 largest wind farms. The dramatic growth of renewable wind generation in Texas is the envy of other parts of the country. Is the time right to consider exporting our surplus power to neighboring electric grids?

CLEAN ENERGY GROWTH

ERCOT¹ anticipates that Texas wind power capacity will exceed 20,000 MW by the end of 2017.² (One MW is enough power to serve about 200 homes during periods of peak demand, like a hot August afternoon.) The ERCOT market currently has over 11,000 MW of wind power capacity, with another 20,000 MW of wind power projected to be installed in the next three to five years. By 2017, ERCOT

projects that wind generation will represent 21% of its installed capacity, the highest percentage of wind capacity for any U.S. electric market.

In addition, statewide solar generation is increasing quickly as technology costs continue to decline, and ERCOT projects that Texas solar capacity will increase to over 10,000 MW in the coming years.³



¹ The Electric Reliability Council of Texas or ERCOT oversees the wholesale and retail electric markets in the state.

<http://www.ercot.com/about/index.html>.

² This chart and other relevant information is online at http://www.ercot.com/content/news/presentations/2015/2014%20State_of_the_Grid_Web_21015.pdf, Slide 24.

³ “The Texas Renewable Industry, 2014”; Office of the Governor, Economic Development and Tourism Business Research. www.TexasWideOpenForBusiness.com; also see TCEC Guide to the Issues 2015, “Solar Power in Texas” <http://www.texascleanenergy.org/issue-guide-2015.php>

Texas has a long, proud legacy of exporting energy and energy technology to the rest of the country and the rest of the world, traditionally in the form of natural gas and refined petroleum products. Exporting power from renewable energy would make a logical next step in our energy leadership.

POTENTIAL BENEFITS OF EXPORTING POWER

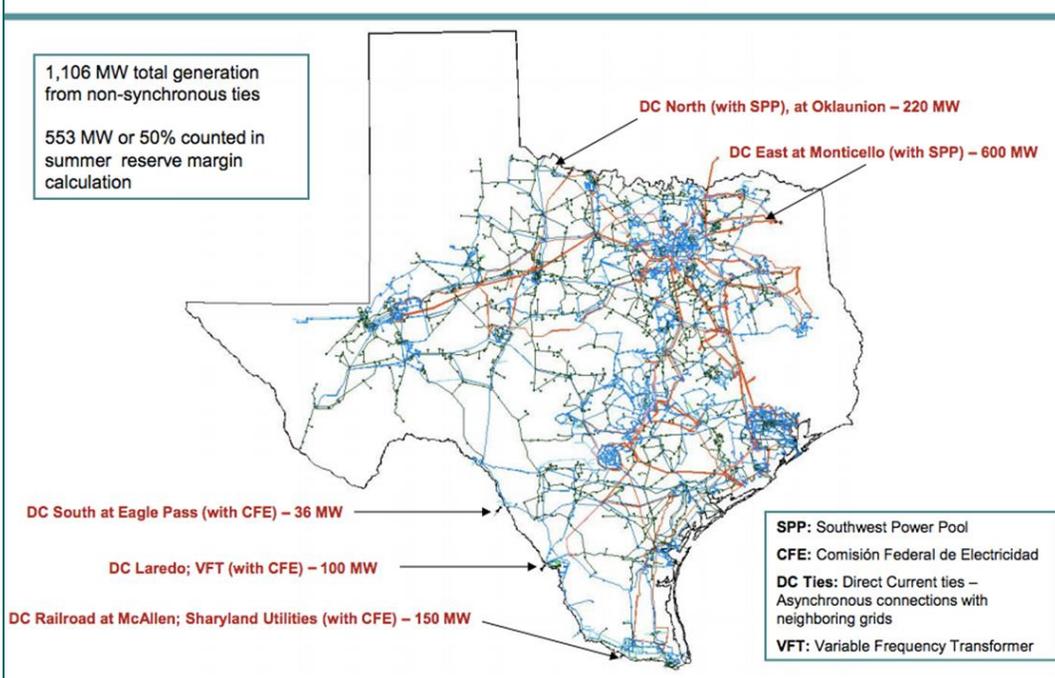
ERCOT could export power through new or existing direct current (DC) ties with neighboring electric grids.⁴ The development of new DC ties connecting ERCOT with other electric grids presents an opportunity for Texas to expand its position as an energy exporter when we have extra power from renewable energy to sell, and to import additional power when electric demand in Texas is highest or during system emergencies like a winter ice storm.

allow power marketers to export the surplus power to neighboring electric grids. Exporting surplus power that otherwise would be unusable would produce additional royalty payments for Texas landowners who lease their land for renewable energy production, additional revenue for Texas wind producers and additional tax revenue for state and local governments.

Some of the costs of exporting power and building new DC ties would likely be paid for by private power marketing companies. These investment costs would not be passed on to ERCOT electric consumers, which would help keep electric rates affordable in ERCOT. The ability to import power at peak times, when wholesale prices are high, could also keep electric rates affordable by

matching high electric demand with additional power supplies.

ERCOT TIES WITH NEIGHBORING GRIDS – 1,106 MW



Exporting power through ERCOT's DC ties with neighboring electric grids would not jeopardize ERCOT's independence from federal oversight by the Federal Energy Regulatory Commission (FERC), as long as the developer follows federal law and obtains the appropriate authorization from FERC. ERCOT's independence from FERC has enabled ERCOT to manage a successful

Exporting Texas renewable energy could improve the reliability of the ERCOT grid by keeping more renewable and traditional electric generation online when wind power production is high. Rather than juggling surplus power from renewable energy and traditional electric plants, ERCOT could

deregulated electric market, build a robust transmission system and keep decision making about our electric grid here in Texas.

Exporting power from clean energy would likely spur even greater development of clean energy resources in Texas. If proposed new federal environmental regulations like the Clean Power Plan are implemented, greater reliance on power from our abundant clean energy resources would likely be an important component of a cost-effective compliance strategy.

⁴ This and other relevant information is available online at <http://www.ercot.com/content/news/presentations/2013/ChallengesOpportunities-Mar%202013.pdf>