

Encouraging a Diverse Mix of Renewables

ISSUE SUMMARY:

In 1999, Texas pioneered a policy to encourage the development of renewable energy in the State called the Renewable Portfolio Standard (RPS). It has been a phenomenal success.

In just seven years after the original RPS was established, Texas became the nation's leader in wind capacity. The original RPS goal was achieved three years ahead of schedule, and the revised goal for 2025 was met in 2010.

However as shown in the figure below, over 98% of the renewable energy capacity registered at the end of 2010 was wind generation. **“Non-wind” resources, such as solar, biomass, and geothermal power, have lagged behind.**

Last session, a bill to modify the RPS to encourage additional renewables, SB 541, passed the Senate with broad bipartisan support (25-6) and made it to the House Major State Calendar, but was never voted on due to unrelated delays. After the

legislative session, the Public Utility Commission of Texas published a proposed rule to solicit comments on modifications that could be made through regulatory action to the non-wind requirements currently in statute.

With a strategic set of incentives that includes a revised RPS, we can encourage the development of additional types of renewable sources in Texas. Numerous groups, including the Texas Conservative Coalition Research Institute, have recommended modifications to the RPS as a possible way to encourage economic development.

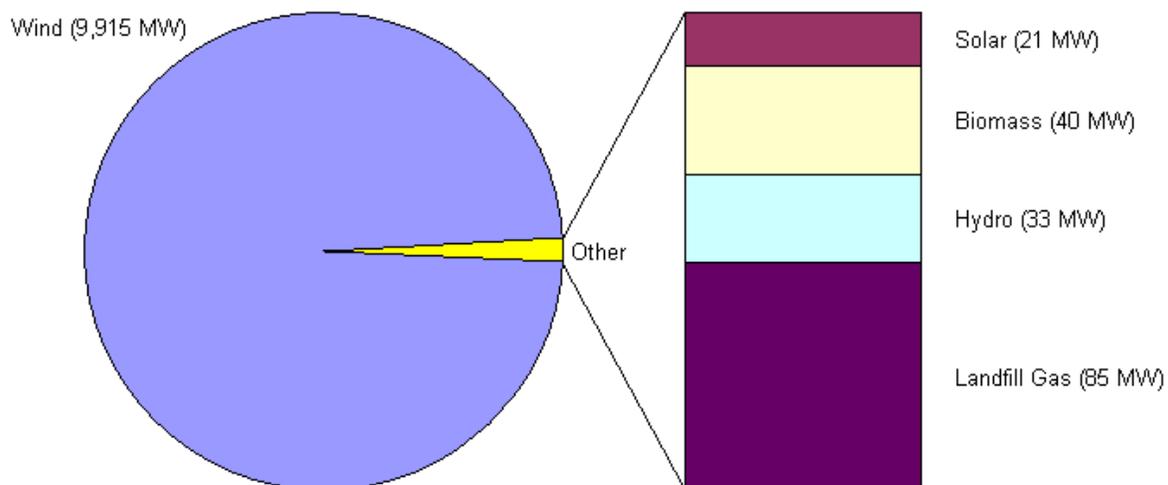
KEY POLICY CONSIDERATIONS:

The Legislature could encourage a diversified portfolio of renewable energy in Texas by:

- Making the current 500 MW non-wind RPS mandatory by changing the word “target” to “goal” (*targets have been viewed by some as voluntary*).
- Increasing non-wind RPS requirements.
- Establishing multiple “tiers” within the RPS (e.g., a solar tier).

Renewable Generation Capacity Registered with ERCOT as of December 31, 2010

From <https://www.texasrenewables.com/publicReports/rpt5.asp>



TALKING POINTS:

- Texas has a Renewable Portfolio Standard, but does not have a true portfolio of renewables.
- Just as a stock portfolio should have more than one stock, the State's renewable portfolio ought to be well-diversified.
- The Texas Conservative Coalition Resource Institute states in *Generating Growth*: "... [T]he state may have a role to play in the development of a solar energy industry in Texas, such as through a developer grant program, customer incentive program, or a **modification to the current Renewable Portfolio Standard.**" [emphasis added]
- According to the Office of the Governor's *Texas Renewable Energy Industry Report*. "The Texas RPS has become one of the most effective and successful in the nation and is widely considered a model for such initiatives."
- In 2005, the Legislature passed requirements for "non-wind" resources, but they have never been aggressively implemented by the PUC due to uncertainty over the terms "target" and "goal."

OPPONENTS SAY:

- "I prefer solar rebates to an RPS."

RESPONSE: There is no reason Texas must choose between rebates and an improved RPS. Most states which are leaders on solar power have both.

- "I don't want to lock Texas into buying renewable power at any price."

RESPONSE: The RPS contains a "cost-cap" mechanism in the form of alternative compliance payments (ACPs) to ensure the cost of the RPS is given a maximum value. In practice, renewable resources within each "tier" of an RPS are forced to compete, which drives down prices.

- "We should not have subsidies or mandates for renewable energy."

RESPONSE: Traditional sources of energy have received subsidies for decades, so there is not a level playing field for new entrants. Declining incentives, such as those provided by an RPS, are effective in encouraging emerging technologies.

There were a few wind developments in the 1990's, but wind really took off in Texas once the RPS was in place. Additionally, the prices of renewable energy credits under the RPS dropped as expected over time.

BACKGROUND AND HISTORY:

The Texas Legislature established the nation's first Renewable Portfolio Standard (RPS) to encourage the development of renewable generation when the State's electricity market was restructured in 1999.

The original statutory goal of 2,000 megawatts (MW) of additional renewable generation in Texas by 2009 was surpassed three years ahead of schedule in 2006. The Legislature more than doubled the goal in 2005, establishing a target of 5,000 MW of new generation by 2015 and 10,000 MW by 2025, including 500 MW from "non-wind" renewable resources such as solar, geothermal, and landfill gas.

However some have viewed the word "target" as being non-mandatory, while a "goal" is mandatory. Due to this uncertainty, the PUC has been hesitant to aggressively enforce the non-wind requirements without further clarification from the Legislature.

SB 541 would have clarified this issue and increased the State's requirements for non-wind resources to 1,500 megawatts. For reference, Texas' peak demand for electricity is approximately 65,000 megawatts.

RESOURCES AND CITATIONS:

Texas House Research Organization (July 2010). *Solar Energy in Texas*.

<http://www.hro.house.state.tx.us/focus/Solar81-13.pdf>

The Texas Conservative Coalition Resource Institute (February 2011). *Generating Growth*.

<http://www.txccri.org/publications/GeneratingGrowthTaskForceReport.pdf>

Office of the Governor (August 2010). *Texas Renewable Energy Industry Report*.

http://www.governor.state.tx.us/files/ecodev/Renewable_Energy.pdf

Public Utilities Commission of Texas information:

<http://www.puc.state.tx.us/rules/rulemake/35792/35792.cfm> and <http://interchange.puc.state.tx.us> (under control number 35792)

Texas State Energy Conservation Office resources:

http://www.seco.cpa.state.tx.us/re_rps-portfolio.htm

Database of State Incentives for Renewables & Efficiency (DSIRE) resources:

http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=TX03R&re=1&ee=1