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The Office of Public Utility Counsel (OPUC) was created in 1983 as an independent state agency to represent residential and small commercial consumers in utility proceedings. OPUC represents consumers in electric, telecommunications, and water and wastewater cases and projects before the Public Utility Commission (PUC), the State Office of Administrative Hearings, and state and federal courts.

Texas is unique from other states because the Electric Reliability Council of Texas (ERCOT), the grid that serves most of Texas, operates separately from the Eastern and Western Interconnections, with limited connectivity through direct-current ties that allow small power transfers to and from other U.S. grids and Mexico. ERCOT manages the flow of power to 24 million Texas consumers, representing about 90% of the state's electric load. As the independent system operator for the region, ERCOT schedules power on an electric grid that connect more than 46,500 miles of transmission lines and more than 550 generation units. ERCOT also operates and performs financial settlement for the competitive wholesale bulk-power market and administers retail switching for more than 7 million premises in competitive retail areas.

Most Texas consumers have a choice in the selection of their electric provider and can obtain electric service at highly desirable rates. In 2002, the state opened the ERCOT market to retail competition and, today, Texas has the most successful competitive electric market in the nation with 198 certificated competitive retail electric providers providing hundreds of products at affordable rates. The transmission and distribution utilities remain fully-regulated with prices set by the PUC in contested cases. In the non-competitive areas of the state, electric service is provided by fully regulated utilities or by municipalities or cooperatives.

In ERCOT service areas that include retail electric choice (such as the major metropolitan areas of Dallas and Houston), consumers can compare offers and choose the electric plan that is right for them. Consumers can control the energy usage portion of their bill by shopping different plans and by finding a variety of tools for reducing their overall consumption. Approximately 90% of eligible residential customers, 91% of eligible commercial customers, and 97% of industrial customers have chosen a non-incumbent provider. Currently, customers located in competitive areas in Texas have some of the most attractive energy rates in the nation.

Although energy rates are very competitive, an increasingly larger portion of consumers' bills originate from transmission and distribution charges. In response to these charges, a typical consumer will focus on the energy part of the bill by shopping the competitive market and/or reducing consumption.

One important tool for consumers in reducing electricity bills has been the deployment of advanced metering systems. Recognizing the benefits of advanced meters as a means to both improve grid operations and facilitate a more robust competitive market with greater customer control over usage and cost, Texas was one of the leaders in deploying advanced meters with over seven million advanced meters installed across the state. Advanced meters have enabled residential customers to participate in demand response programs, to use energy efficiency devices to control when and how they consume electricity, and to choose from a greater array of innovative product and pricing offerings including time of use products.

Consumers also view renewable energy as a way to potentially reduce generation costs. Texas has been a leader in the development of renewable energy with more than 15,000 MW of installed wind capacity (the most in the nation) and 193 MW of installed solar capacity in the ERCOT region.

Another area where there has been significant development is distributed generation (DG). Texas is seeing wider adoption of DG technologies, such as rooftop solar, by residential customers as the costs of these technologies continue to decrease significantly. Using these technologies may enable a customer to better control the costs and reliability of their electricity service. However, the economics of installing DG are heavily dependent on the policies and pricing in place. Before installing DG systems, customers typically perform a cost-benefit

assessment to determine when they can expect to recoup their upfront investment. Any subsequent change in the rates for electric service or the credits, if any, they receive for supplying electricity back to the grid can completely change the economics of their investment.

As DG technologies gain more widespread use, utilities nationwide are struggling with how to address the challenges of interconnecting customer-owned DG to their systems. The utilities must still provide service to DG customers when consumers' DG systems do not meet all of their electricity needs. However, because these technologies allow DG customers to reduce their consumption, these customers pay less toward the utilities' costs. As a result, utilities have been proposing various strategies to address this loss in revenue, including increases in fixed charges, implementation of new fees, and reductions in the credits customers receive for supplying electricity back to the grid. In a recent pending case, a fully regulated Texas utility (in a non-competitive area) filed an application seeking to apply a different rate design to residential customers with DG that included a higher fixed charge as well as a demand charge. The proposal was heavily contested, and as part of settlement negotiations, the utility modified its proposal to instead establish an additional separate monthly charge for residential customers with DG. However, the final settlement agreement was non-unanimous and four parties, including OPUC, are contesting it. This case appears to be the first of its kind in Texas. One concern is that these types of pricing arrangements would create a disincentive for customers to adopt new technologies that promote conservation, increase reliability, and potentially reduce or delay the need for new generation.

In addition to the issue of cost, the actual interconnection of DG can raise issues. In Texas, the interconnection agreement that governs the obligations of the utility and the end-use customer can currently only be entered into by those two parties. However, residential customers often contract with a third party, such as an aggregator or solar company, to install and manage their DG systems. In addition, a residential customer may simply be leasing a property with DG facilities and not have any control over their use. As a result, the end-use customer may not be the most appropriate party to undertake the installation, maintenance, indemnification, and other obligations related to the DG system. To address this issue, the Texas PUC is currently conducting a rulemaking to consider whether to expand the potential parties who may enter into the interconnection agreement with the utility to include third-party generators who own the DG facilities and property owners who may not be the end-use customer.

Technological advances in the electric industry have created new options for end-use consumers but also prompt policy considerations. As the state's utility consumer advocate, OPUC represents all residential and small commercial consumers. Some may want to participate in programs leveraging these new technologies while others may not. However, all of our consumers expect to have reliable electricity in the most cost efficient way possible.