

Senate Interim Committee on Electric Utility Restructuring

STATUS REPORT

Summary:

The Committee is soliciting extensive public testimony from interested parties on the feasibility of opening the Texas electric market to retail competition. The ten issues identified by the interim charge have been segmented into five separate hearings, as identified in the summary of meetings that follows. Each of the meetings contains panel discussions from invited experts followed by public testimony.

In addition to the public hearing process, the Committee has formally requested studies by the following state agencies, due July 1, 1998, unless otherwise noted:

Public Utility Commission:

- Update of the Commission's estimate of Excess Costs Over Market (ECOM) for generation-owning utilities. Request completion by end of April, 1998.
- Study of the adequacy of the transmission system in a retail access environment in consultation with the ERCOT Independent System Operator.
- Study identifying the extent to which, if at all, generation resources in Texas would be considered "must-run" resources for some period of time to ensure the local reliability of the transmission and distribution system.
- Study identifying low-income and environmental programs including renewable energy and energy efficiency, in consultation with the Texas Department of Housing and Community Affairs.

Texas Energy Coordination Council:

- Study describing alternative market-based methods of providing renewable energy and energy efficiency programs.

Several members of the Committee also participated in interviews with members of the California Legislature, California Public Utility Commission, California Independent System Operator, and other interested parties involved in the restructuring of the California electric market. The Committee and staff continue to monitor retail competition outside of Texas as a means to understanding the critical issues involved.

Public Participation:

Significant public participation has resulted in comprehensive levels of information for the Committee's analysis. Most of the Committee's testimony has come from organized interested parties, including consumer representatives.

The Committee has received extensive cooperation and support from the Public Utility Commission and the Office of Public Utility Counsel.

Meeting Schedule:

September 26, 1997

AUSTIN -- Organizational Meeting

- Public Utility Commission Chair Pat Wood and Commissioner Judy Walsh updated the members on regulatory action and presented a brief background discussion on the electric utility industry. Invited and public testimony from interested parties.

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December 12, 1997

AMARILLO -- Market Structure and Performance

- The basic structural requirements for the competitive market to serve as an effective and efficient replacement for traditional regulation
- Scope and nature of the continuing role of regulation in a deregulated electric power industry including oversight of market power

February 4, 1998

AUSTIN -- System Benefits

- Safeguards necessary for customer protection in a fully competitive marketplace (including designation of a provider of last resort, protections for low-income customers, obligations to be imposed on all providers, ability of providers to serve customers on an aggregated basis, and fair marketing and sales practices)
- Environmental issues relating to a competitive market
- Development of renewable energy resources such as wind power in a competitive marketplace

March 25, 1998

GRAPEVINE -- Public Power and Cooperatives

- Provisions for municipal and cooperative utilities recognizing the importance of maintaining local control of community owned systems and protecting the financial integrity of cooperative and municipal utilities

Early June

VICTORIA -- Stranded Investment Treatment

- Methods for quantification of a utility's investments that would be uneconomic in a fully competitive market (stranded costs) and appropriate methods for recovery of costs (including rate freezes, adjustments to depreciation, transition charges, securitization)
- Balancing rate reductions with recovery of stranded costs during the transition to a competitive market

September 29

COLLEGE STATION -- Reliability, Retail Access and other issues

- System reliability and service quality standards needed to ensure safe and reliable power and the role of the independent system operator in a fully competitive market
- An appropriate date for opening the market to direct end-use customer access, and whether a phase-in program for public schools or other governmental units is warranted

September

AUSTIN -- work sessions as necessary to finalize report

Estimated Completion Date:

The Committee expects to deliver to the Lt. Governor a final copy of its findings on or before October 1, 1998.