

**Testimony of Mike Sloan
Managing Consultant
The Wind Coalition**

before the House Select Committee on
Energy Independence and Global Warming
Hearing on "Renewable Electricity Standards: Lighting the Way"

DRAFT September 20, 2007 **DRAFT**

I am writing on behalf of The Wind Coalition ("Coalition") to provide information about how a Renewable Electricity Standard (RES) and related policies have fostered a robust wind industry in Texas. The Wind Coalition is an association of 25 companies, trade associations, and environmental and consumer groups that promote the use of the abundant wind energy resources of the South Central United States in Texas, Oklahoma, Kansas, New Mexico, Arkansas, Missouri and Louisiana.

Overview

Wind power is a cost-effective and readily available technology for zero emissions electricity generation, capable of being added rapidly and contributing meaningfully to state and national electricity needs. Wind power is broadly recognized as one of the most important near-term elements of the climate solution. The Texas experience offers several observations directly applicable to consideration of a national RES:

- 1) Wind power is ready to play a significant role in meeting America's energy needs
- 3) Stable policy support is essential for renewable energy to succeed
- 3) Transmission infrastructure can and must be built to meet State or Federal RES

The success of the Texas Wind industry is a leading example of how government leadership combined with well-conceived policies can effectively catalyze clean energy development. This wind power success story is even more remarkable coming from Texas, which is not traditionally considered among the vanguard of environmental policy.

Status of Wind Power – A Significant Texas Energy Industry

Prior to November 1995 – less than twelve years ago -- there were no commercial wind projects operating in Texas. A focused effort by Texas policy-makers to stimulate renewable energy development through an RES has proven effective. During 2006,

Texas passed California to become the nation's #1 producer of wind energy. Bolstered by a proactive transmission policy that will ensure transmission infrastructure is developed to the state's best renewable resource areas, a policy known as "Competitive Renewable Energy Zones" (CREZ), interest in Texas wind development has skyrocketed. During 2007, Texas is expected to add approximately 2,000 MW of wind capacity – an investment of more than \$3 billion – which represents more than half of anticipated U.S. wind power installations for the year.

In a measure of current interest in wind power, information from the Electric Reliability Council of Texas (ERCOT) suggests capacity additions of wind power will exceed the capacity additions of all other types of power plants (coal, gas, nuclear, etc.) combined during 2006 and again in 2007.

In a measure of future interest in wind power, as measured by ERCOT's total generation interconnection request activity, there is greater investor interest in new wind power facilities than in any other type of power plant. Throughout Texas, in-service wind projects plus all wind generation interconnection activity total more than 40,000 MW.

Clearly, wind power is not awaiting a technology breakthrough. Wind power is competitive today in many states and can be developed quickly relative to other types of power plants. Wind power is ready to play a significant role in meeting America's energy needs.

Texas Wind Industry Vital Statistics (as of Sep. 15, 2007)

In Service Statewide: 4,525 MW (*this includes projects in construction that are delivering power to the grid today but are not yet fully complete*).

Completed Interconnection Agreements for Wind Power (*most of these projects are likely to go into service during the next two years*)

ERCOT Grid (Serves most of Texas): **2,629 MW**

SPP Grid (Texas Panhandle): **560 MW** (*400 MW suspended*)

Wind Interconnection Requests for 2007- 2010: (only a fraction of this current total is likely to ultimately be installed, due in part to transmission shortages)

ERCOT Grid: **26,897 MW Wind** (*all non-wind = 21,316 MW*)

SPP Grid: 2,179 MW Wind

The Public Utility Commission of Texas is expected to designate 8 areas as wind zones (CREZ) and authorize transmission plans sufficient to support aggregate wind capacity within Texas of at least 10,000 MW up to approximately 26,000 MW.

For reference, Texas Peak Electric Load is approximately 74,000 MW

Stable policy support has helped foster Texas' robust wind industry.

Texas has achieved success with wind power through a package of effective state policies, which complement available federal policies in delivering significant results. These state policies include: 1) Education through Deliberative Polls 2) An effective market catalyst through a Renewable Electricity Standard (RES), 3) Renewable Energy Credits (REC), 4) Competitive Renewable Energy Zones (CREZ), 5) Appropriate incentives

1) Education: Texas Deliberative Polls™, 1996-1998. These polls showed Texans overwhelmingly wanted cleaner energy resources. The results of these polls were helpful to legislators, utilities and other stakeholders in developing support for an RES mandate mechanism in Texas.

Utility Customer Deliberative Poll Results for 8 Utilities in Texas

First Choice Preference among residential customers (assuming cost is same)

49% prefer Renewables (Solar, Wind, Biomass)

31% prefer Reduce Need (Energy Efficiency)

14% prefer Fossil (Gas, Coal)

5% prefer Buy & Transport from others

2) Effective Market Catalyst: Renewable Energy Standard (RES), 1999 & 2005.

Texas goal for renewable energy is a leading example of a Renewable Electricity Standard that: (a) promotes the use of renewable energy (b) Sets minimum levels of renewable energy use for sellers of electricity and (c) established penalties for insufficient use of renewables. The RES has proven to be an exceptional catalyst, going from legislative concept to \$1 billion worth of results in less than 3 years.

February 1999 – RES is legislative concept

May 1999 – Texas legislature passed which includes RES, SB7

December 1999 – RES implementation rules completed

January 2000 – utilities begin solicitations for renewable energy

December 2001 – 912 MW of new wind projects in service in Texas.

3) Flexibility Mechanism to Stimulate Voluntary Markets: Renewable Energy Credits. The currency for authenticating compliance with the RES is Renewable Energy Credits (RECs), which represent 1 Megawatt-hour of generation from a qualified renewable energy generator. RECs have become a convenient and accepted method of validating voluntary purchases of renewable energy. Voluntary renewable energy markets drive additional demand beyond the Texas RES and have resulted in Texas being a leader in green power sales.

4) Ensure Transmission Infrastructure: Competitive Renewable Energy Zones (CREZ): CREZ is a proactive policy to provide transmission to best renewable energy

areas. The basic steps of a proactive transmission development process are:

- 1) Identify the Best Resource Zones
- 2) Develop a Transmission Master Plan
- 3) Begin Building Transmission to Zones

This Texas PUC is in the midst of a contested case to establish CREZ in Texas. An interim final order is due this week. A final decision is expected approximately March 2008.

Texas RES -- Lessons Learned

Prior to electric industry restructuring Texas had 9 Investor Owned Utilities in the electric sector. The results of the first compliance year of the Texas RES show a remarkable fact – that utilities that had an obligation bought far more renewable energy than those that did not have an obligation.

Renewable Energy Purchases by Texas incumbent electricity providers

with No RPS requirement in 2002
6 Companies = 1 MW

with RPS requirement in 2002
3 Companies = 310 MW required
+ these companies purchased 300 MW extra

Conclusion

The Texas experience shows that renewable energy can be added into the system quickly and cost effectively.

Thank you.

Mike Sloan
Managing Consultant
The Wind Coalition
906.5 Congress Avenue
Austin, Texas 78701
512-476-9899