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Texas study cites high cost of harnessing wind

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By Eileen O'Grady

HOUSTON (Reuters) - Texas consumers and taxpayers could pay more than \$2.2 billion a year in subsidies and higher transmission costs to take advantage of the state's abundant wind-generation resources, a free-market research group said on Tuesday.

The state's current push to accelerate use of wind-generated electricity is "costing, not saving, Texans billions of dollars," said Bill Peacock, director of the Texas Public Policy Foundation's Center for Economic Freedom,

The foundation is an Austin-based, nonprofit research group that promotes limited government and free markets.

Texas leads the nation in wind capacity with more than 6,000 MW of installed turbines, but the outlook for continued growth has slowed, according to the state grid operator.

As in many states, regulators and environmental groups support more reliance on wind and solar power to limit emissions of carbon dioxide from fossil-fuel generators, a greenhouse gas blamed for global warming.

The study cites the federal production-tax credit for wind, state renewable energy credits and a Texas plan to construct \$5 billion in new high-voltage power lines as major "hidden" costs of wind energy.

Other costs for back-up generation and market-disruption expenses tied to the variable nature of wind could push annual costs to \$4 billion a year, the study estimates.

"Wind energy should be employed only to the extent that it passes economic-benefit muster and to the extent it is technologically feasible," said Drew Thornley, the study's author.

By 2025, the study said the price tag could total \$60 billion as Texas reaches 10,000 megawatts of wind capacity.

Texas Public Utility Commission Chairman Barry Smitherman said Texas market rules spread costs for transmission improvements for all new generation - not just wind - to all Texas power consumers.

The state grid operator concluded that fuel-cost savings, when wind blows and generation displaces higher cost natural gas-fired power plants, will offset additional market-related wind expenses, Smitherman said.

"We have not quantified, but we believe there will be additional benefits if there is a carbon tax or climate change legislation at the federal level," Smitherman added.

A boom in Texas wind generation beginning in 1999 led to costly congestion on the power network earlier this year, forcing the grid operator to adopt new market rules to tame volatility in the real-time market for wholesale power.

The Texas PUC has approved a \$5 billion plan to construct power lines to accommodate about 18,500 MW of wind generation, but it will take several years before new lines can be built.

(Editing by Christian Wiessner)

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