

# Brief

## Senate Bill 533

### Mandate for Renewable Energy Costs Consumers

By Bill Peacock

#### BACKGROUND

In 1999, the Texas Legislature set a goal for Texas to achieve 2,880 megawatts of renewable energy production by 2009. Thanks to subsidies in the form of renewable energy credits, Texas is now close to reaching that goal several years early, and the legislature is debating an increase in the state's goal.

SB 533 would increase the goal to 3,272 megawatts by 2009 and to 5,880 megawatts by 2015. It is expected that an amendment will be offered on the House floor to further increase the goal to 10,880 megawatts.

Whichever goal is adopted, the increase will be expensive. Texas consumers will pay an additional \$536 million annually for the increase to 5,880 megawatts, and \$1.1 billion annually for the increase to 10,880 megawatts. For the typical consumer, this would mean an increase in their electric bill of between \$31 and \$62 a year.

But costs aren't the only concern when it comes to renewable energy. Reliability is another factor. In Texas, wind energy is the primary source of renewable energy. Yet the wind isn't always blowing when we need electricity, so wind power is inherently unpredictable and uncontrollable and often has a significant impact on the reliable operation of the electric grid.

Proponents of mandating the increased use of wind power claim it is less expensive than traditional sources of power. However, that claim ignores three facts:

- ♦ Wind is most abundant in West Texas, but electricity is most greatly needed along the I-35 corridor and the Texas Gulf Coast. The cost of building the transmission capacity to reach these markets is estimated to be \$2.2 billion
- ♦ Because wind energy is unreliable, expensive coal or gas plants must be built and operated to provide backup energy when the wind isn't blowing
- ♦ Renewable energy credits to subsidize wind power cost consumers millions of dollars every year – either wind power is cheap and doesn't need subsidies, or it needs subsidies because it is more expensive: advocates of wind power can't have it both ways

#### POLICY RECOMMENDATIONS

In 1999, Texas legislators passed SB 7, which restructured the electrical utility industry to provide retail competition and consumer choice for many Texans. In the spirit of SB 7, the mandatory goal for renewable energy should be kept at its current level of 2,880 megawatts; this will allow consumers to determine if the benefits of renewable energy are worth the extra costs.