



Why Vote No on SB 2232?

Senate Bill 2232 (86th Legislature) sounds like a simple “study bill”, but it is a one-sided measure designed to produce an incomplete ‘study’ which proponents have already stated they intend to use to undermine wind energy investments already made in communities across our state.

SB 2232 directs our Texas grid operator, ERCOT, to conduct a study on the effects of renewable energy subsidies on the Texas electric market. It mandates that the study look at “pricing, reliability, and efficiency,” and include an analysis of “peak price formation, negative pricing, ancillary services, congestion, reserve margins, and transmission costs.” Finally, the bill calls on ERCOT to identify any proposed rules to “address the findings of the study.”

The wind energy industry is not opposed to any fair examination, but this bill is limited only to renewable energy and is focused solely on examining negative features of our market in the hope of attributing them to windpower. The proposed study does not consider the great economic and environmental benefits that wind energy has delivered to our state’s communities and consumers.

More importantly, the proposed study does not consider the myriad subsidies of other energy producers or impacts that those subsidies might be having on “peak price formation, negative pricing, ancillary services, congestion, reserve margins, and transmission costs.” A fair study would impartially look at energy subsidies for all producers, and assess their positive or negative aspects.

ERCOT and in the Independent Market Monitor (IMM) have already stated that wind energy is not affecting grid reliability, and numerous studies have shown that price formation in ERCOT is driven by natural gas prices, not wind energy. Further, negative pricing occurs across almost all power generation types. Even today, we are experiencing negative pricing in natural gas production.

SB 2232’s proponents have testified that they intend to use this study to justify changing ERCOT’s rules to negate the benefits of the federal production tax credit (PTC), an incentive many companies and lenders relied upon when investing in our state. That means that those investors may see their existing projects devalued, perhaps even made non-economic. Texas generally does not change the rules on investors after they have made a commitment to our state, but the impacts don’t end there. This action to negate the PTC will have the secondary effects of reducing project viability, harming existing long-term contracts, discouraging future investments in our power generation fleet, and reducing the local ad valorem tax bases on which many rural schools rely.

Proponents of this bill claim that adding costs to wind generation will encourage competition. Common sense tells us that this action will raise energy prices, hurting all Texas consumers and businesses. Texas should continue to honor its commitments to investors and not change the rules retroactively. We should ensure that legislative action isn’t used to pick winners and losers, and we should guarantee that studies of this type are conducted impartially in a technology-neutral way.

We urge you to vote no on Senate Bill 2232 and to only support studies that include all industries and all incentives. A website, StudyThemAll.com, has been established outlining the renewable energy industry’s position on this important issue. Please contact us with any questions.

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