

Key Regulatory Issues and Challenges Confronting the Texas Public Utility Commission

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What are the major challenges?

- We are at a bend in the road
 - Global competition for markets and resources
 - Higher costs of basic commodities and fuels
 - Connection between electric generation and air issues is more direct than ever
- We are at a fork in the road—competition or regulation
 - Texas and about 20 other states have adopted retail competition
 - Cost increases in a number of states have resulted in increased level of regulatory and legislative involvement in electric issues

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Are Challenges Different In Central America?

- Infrastructure investment
 - Electrification, economic development, higher levels of quality and reliability
- Emissions: Focus changing from NO_x to CO₂
 - CO₂ will be an issue for all countries
- Commodity volatility and price increases:
 - Oil-dependent countries are bearing a heavy burden from higher prices
 - Small economies may make diversification difficult
- Integrating renewable resources
 - CA has resources, but transmission costs, impact of intermittent resources, and stimulating investment may be major issues

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Are Challenges Different In Central America?

- Developing workable energy efficiency and demand side management
 - Energy efficiency may be useful in any growing economy
 - Cost-benefit calculation is affected by cost of capital and perception of stability in government policy
- Higher prices for a basic commodity or service are a challenge for government, particularly for a government that relies on competitive markets

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Different Approaches for Addressing Challenges: Regulation and Competition

- Infrastructure
 - Competition: provide stable, efficient market rules
 - Regulation: framework for review and approval of major investments, with mechanisms for prompt cost recovery
- Global warming
 - Clear multi-national and national rules on CO₂
 - Investment in non-emitting resources

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Different Approaches for Addressing Challenges: Regulation and Competition

- Commodity volatility and price increases
 - Investment in diversity of resources
 - Regulatory mandate vs. market forces or incentives
 - Most fuel prices will be determined in broad national or international markets
- Integrating renewable resources
 - Clear state and national rules
 - Investment in renewable resources
 - Regulatory mandate vs. market forces or incentives
 - Planning for transmission needs
 - Regulatory commission, utility, or transmission operator

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Different Approaches for Addressing Challenges: Regulation and Competition

- Energy efficiency
 - National or state policy
 - Support mechanisms
 - Regulatory mandate and cost recovery vs. incentives
 - Investment by utilities and customers
 - Diffusion of knowledge

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Different Approaches for Addressing Challenges: Regulation and Competition

- Higher prices for a basic commodity or service are a challenge for government
- Government response can increase risk for competitive and regulated companies
- Government may look to regulatory commission for information, policy options, and expertise

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