



Modifications to Unbundling Requirements

Senate Bill 1494 by Sen Fraser

AECT Position: **Support**

Background

- SB 1494 would allow an electric utility that has not finalized unbundling as of September 1, 2005 pursuant to a Public Utility Commission of Texas (PUC) order approving an unbundling plan may also meet the unbundling requirements of the Texas Electric Choice Act if it meets and maintains compliance with the following criteria:
 - The electric utility has no more than 400 MW of generating capacity within the Electric Reliability Council of Texas (ERCOT) grid that has not been mothballed or retired.
 - The electric utility has one or more contracts with separate nonaffiliated companies or separate affiliated companies for the sale of all its generation output, provided the contract is no shorter than 20 years or the life of the generating units, whichever is shorter.
 - The electric utility has a separate division within the company for its generation business activities.

Discussion

- Establishing parameters regarding unbundled generation assets will help ensure that generation produced within ERCOT can remain in ERCOT.
- AEP Texas North has determined that attempting to transfer its Oklaunion Power Station—its only remaining generation asset that has not been mothballed or retired—to a separate AEP subsidiary requires offering *rights of first refusal* to the plant's co-owners. This could result in the transfer of most of Oklaunion's generating capacity to the Southwest Power Pool (SPP) from ERCOT.
- It is in the state's interest for Oklaunion's generation to remain in ERCOT. In recent months, there have been several news stories regarding the number of power plants being either mothballed or retired, as well as concerns about the generation reserve margin within ERCOT.