

Oppose Abandoning the Transition to a Nodal Grid

HB 2781 by Rep. Keffer

AECT Position: Oppose

Proposal

- HB 2781 would end all efforts to transition to a nodal market and direct the Public Utility Commission of Texas (PUC) to establish zonal markets within the Electric Reliability Council of Texas (ERCOT) grid, such as those currently in effect, to determine congestion costs.

AECT Position

- HB 2781 would eliminate the benefits of a nodal market design and create additional costs. Furthermore, many market updates in the current market have been deferred due to the expectation of a nodal market.
- The nodal market design will address congestion more efficiently and effectively than the current zonal system in ERCOT. It provides more granular and transparent data, helping to ultimately reduce transmission congestion costs. For example, the nodal market design would have mitigated the price spikes seen in the balancing energy market in Spring 2008.
- The PUC's cost-benefit analysis of the nodal market demonstrates a savings of about \$5.6 billion over 10 years off wholesale electric prices, which will ultimately benefit consumers.
- While AECT shares the concerns expressed by the author and others regarding previous failures to meet budget and schedule, AECT has greater confidence that the recent changes at ERCOT coupled with robust PUC oversight will avoid failures going forward. The savings to be realized by moving to a nodal market warrant continuing the transition.