Texas Generation Development Paralysis

by

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West Texas: Transmission Congestion
* Over 40,000 MW of wind in the pipeline until 2020
* Currently over 5,000 MW of wind installed
* Congestion causing curtailment or higher prices
* Solar projects may go in on top of wind

LMP: Locational Marginal Pricing (Nodal Market)
* New transmission pricing goes into effect 2009
* Will charge higher prices for congestion
* Risk causing development paralysis
* Too many unknowns; lenders cannot calculate so reluctant to lend
Senate Bill 7: 2,880 MW from RE by 2009
* Already met
* No more need for IOUs to acquire more RE
* SB 20 changed goal to 5,990 MW (nearly met already)
* Need $3 billion in investment in transmission

Pricing for Geothermal:
* Need to compete with current generation
* No federal tax investment credits; if no natural gas used, may get PTCs

Size:
* Capacity must be 1+ MW to even be scheduled on ERCOT

Carbon Tax:
* When this occurs, playing field may shift favorably
Development paralysis may continue past 2009 because of:

- LMP initiation by ERCOT; Transmission congestion
- Pending federal carbon tax legislation
- Potential recession (and its effects on demand)
- Bank credit crunch unwinding
- Soaring prices for cement, steel, aluminum, copper, etc.

**On a Positive Note:**

- Geothermal is smaller investment
- Geothermal is dispatchable and base load
- Geothermal emits no carbon
- Easier to fund, permit, build, & sell—if prices are comparable