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**Testimony from:
Josiah Neeley, Texas Director, R Street Institute
In OPPOSITION to SB 1938**

April 2, 2019

Senate Committee on Business and Commerce

Mr. Chairman and members,

My name is Josiah Neeley and I am the Texas Director and an Energy and Environment Senior Fellow with the R Street Institute. R Street is a nonprofit, nonpartisan, public-policy research organization with a mission to engage in policy research and outreach to promote free markets and limited, effective government. I am here today to speak in opposition to SB 1938.

In many areas, the Texas electricity market has been a model for the rest of the nation, as it demonstrates the advantages of market competition as a means to provide affordable, reliable power. Yet, when it comes to competition for electricity transmission, Texas has lagged behind. This is because while generation is left to market competition, the costs of transmission are socialized.

It is important to keep in mind that when we talk about competition for electricity transmission, we are not talking about the multiple lines of wire and poles that run parallel to houses. Transmission is different from electricity generation, and it's understandable that the Texas legislature does not apply the same system of regulation to both parts of the grid. Nevertheless, it is still possible to use competitive auctions and allow private involvement to increase efficiency and reduce costs.

To allow a limited form of competition in transmission can have substantial benefits. For example, a recent study by the Brattle Group found that the winning bidders in competitive projects were 40 percent cheaper than the initial cost estimate for the project, whereas non-competitive projects ended up costing 34 percent more than initial estimates.

SB 1938 is a step in the wrong direction in this regard. As applied to the non-ERCOT areas, the bill goes against the trend in other ISO/RTOs. In 2013, the Federal Energy Reliability Council (FERC) implemented Order 1000, which promoted greater competition in transmission planning to achieve "more efficient or



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cost-effective transmission development.” Since then there have been 15 transmission projects selected via competition. And, in ERCOT, even if the bill would not substantially change current practice, it would freeze-in-place a system that is in need of real reform.

I would be happy to answer any questions.

Thank you for your time,

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