



Manufacturing Matters

ENERGY CAPACITY MARKETS HAVE NO PLACE IN TEXAS

The competitive electricity market in Texas is working and there's no need to cripple the economy with a "capacity market tax." A capacity market involves an additional payment made to generators who "promise" to provide surplus or standby power in times of peak demand, typically on extremely hot days when electricity usage is pushed to its capacity. To put a capacity energy tax in context, out of the total number of hours in a year (8,760), Texas typically approaches peak demand only 100 hours a year or less.

The most current load forecast from the Electric Reliability Council of Texas (ERCOT) shows the state's electric grid will have more than enough capacity to meet reserve targets through 2019. The Public Utility Commission (PUC) of Texas released the Brattle Report, which not only shows that ERCOT has sufficient reserves, but that the market will continue to produce those reserves well into the future. ERCOT's updated numbers show that rolling blackouts are NOT more likely in the coming years. Billions of dollars in extra payments to generators in a capacity market won't ensure that the lights stay on. Despite capacity payments exceeding \$50 billion, the PJM market in the northeastern U.S. continues to experience significant power shortages.

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A capacity market proposal has been widely reported to potentially add \$4 billion per year onto Texas consumers' electric bills. Adding a significant tax to customers' electric bills will not save them money. Heavily regulated capacity markets in the Northeast have cost consumers billions more for power without any guarantee that new generation would be constructed and without guaranteeing increased reliability.

A recent national study showed well over 90 percent of the money in a capacity market went to existing power plants, effectively buying consumers nothing and those markets have had more rolling outages than Texas has experienced over the past two years.

