

LOWER POWER BILLS WITH MORE LARGE LOADS

The Case for a Minimum Transmission Charge in Texas

Background: Texas at a Crossroads on Transmission Costs

Texas is quickly becoming the nation's leader in both advanced computing and manufacturing industries — we need a power grid that can support that growth.

Many of our state's new employers use significant amounts of electricity; they should cover a proportionate share of the grid investments their operations require. A minimum transmission charge (MTC) — also known as minimum billing demand — will help ensure that large load businesses pay their fair share and, in doing so, could put downward pressure on transmission costs for existing customers.

THE PROBLEM

Large Loads Underpay for Transmission

Texas' current method for calculating transmission charges, known as 4CP, incents large load customers to reduce their transmission charges by curtailing use during four 15-minute periods each summer. This method potentially shifts a disproportionate level of costs onto smaller customers.

SOLUTIONS

New Calculation Method

Regulators are considering a 12CP method based on use during the 12 highest 30-minute periods each month. This may better reflect large energy customers' power demand, helping rebalance costs between large loads and smaller consumers.

A Minimum Transmission Charge (MTC)

Establishing a floor on transmission charges tied to contracted load — so large customers pay a minimum amount regardless of their ability to curtail — will further decrease consumer costs.

How a Minimum Transmission Charge Works

A [new study](#) from the Texas Energy Buyers Alliance (TEBA), performed by consulting firm J. Pollock Inc., found that a balanced MTC would be based on a percentage of the contracted demand each large customer has committed to receive. It should also be calibrated to:

- Cover the incremental new transmission costs that new large loads are creating for the grid
- Generate a reduction in costs for existing consumers without disincentivizing business investment and innovation
- Retain incentives for large loads to participate in demand response when the grid is stressed

Study Findings: Recommended Minimum Charge Levels with a Shift to a 12CP Method

Minimum Charge	Obligation Period	Residential Annual Savings
80% of contracted load	9 years	3.6%
75% of contracted load	13 years	1.5%

Bottom Line for Existing Consumers:

Transmission costs are increasing each year in ERCOT by ~3.5%, based on the organic growth of the system. Shifting from 4CP to 12CP rebalances the costs of that growth away from residential customers; the addition of new large loads can put downward pressure on bills as more customers interconnect to the system, spreading total transmission costs across more ratepayers. Together with an MTC of 80%, average residential consumer transmission costs could be reduced by 3.6%. This ensures that large loads pay their fair share and existing customers save money.