

**Incentive Type:** Property Tax Exemption

**Eligible Renewable/Other Technologies:** Passive Solar Space Heat, Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Photovoltaics, Wind, Biomass, Storage Technologies, Solar Pool Heating, Anaerobic Digestion

**Applicable Sectors:** Commercial, Industrial, Residential

**Amount:** 100%

**Max. Limit:** None

**Authority 1:** Texas Statutes § 11.27

**Date Enacted:** 1981

**Authority 2:** Exemption handbook

**Website:** [http://www.seco.cpa.state.tx.us/re\\_incentives.htm](http://www.seco.cpa.state.tx.us/re_incentives.htm)

### Summary:

The Texas property tax code allows an exemption of the amount of the appraised property value that arises from the installation or construction of a solar or wind-powered energy device that is primarily for the production and distribution of thermal, mechanical, or electrical energy for on-site use, or devices used to store that energy. "Solar" is broadly defined to include a range of biomass technologies.

"Solar energy device" means an apparatus designed or adapted to convert the radiant energy from the sun, including energy imparted to plants through photosynthesis employing the bioconversion processes of anaerobic digestion, gasification, pyrolysis, or fermentation, but not including direct combustion, into thermal, mechanical, or electrical energy; to store the converted energy, either in the form to which originally converted or another form; or to distribute radiant solar energy or the energy to which the radiant solar energy is converted.

"Wind-powered energy device" means an apparatus designed or adapted to convert the energy available in the wind into thermal, mechanical, or electrical energy; to store the converted energy, either in the form to which originally converted or another form; or to distribute the converted energy.

Use Texas Property Tax [Form 50-123](#), "Exemption Application for Solar or Wind-Powered Energy Devices" to claim this exemption.

**Incentive Type:** Corporate Deduction

**Eligible Renewable/Other Technologies:** Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Photovoltaics, Wind

**Applicable Sectors:** Commercial, Industrial

**Amount:** 100% from capital or 10% from profit

**Maximum Incentive:** None

**Authority 1:** Texas Statutes § 171.107

**Date Enacted:** 1981, amended 1991, 1999

**Effective Date:** 1982

**Website:** [http://www.seco.cpa.state.tx.us/re\\_incentives-taxcode-statutes.htm#171107](http://www.seco.cpa.state.tx.us/re_incentives-taxcode-statutes.htm#171107)

### Summary:

Texas allows a corporation to deduct the cost of a solar energy device from the franchise tax in one of two ways: (1) the total cost of the system may be deducted from the company's taxable capital; or, (2) 10% of the system's cost may be deducted from the company's income. Both taxable capital and a company's income are taxed under the franchise tax, which is Texas's equivalent to a corporate tax.

For the purposes of this deduction, a solar energy device means "a system or series of mechanisms designed primarily to provide heating or cooling or to produce electrical or mechanical power by collecting and transferring solar-generated energy. The term includes a mechanical or chemical device that has the ability to store solar-generated energy for use in heating or cooling or in the production of power." Under this definition wind energy is also included as an eligible technology.

## Interconnection Standards

*Last DSIRE Review: 11/28/2007*

**Incentive Type:** Interconnection

**Eligible Renewable/Other Technologies:** Solar Thermal Electric, Photovoltaics, Landfill Gas, Wind, Biomass, Hydroelectric, Geothermal Electric, Fuel Cells, CHP/Cogeneration, Reciprocating Engines, Turbines, Storage, Tidal Energy, Wave Energy, Ocean Thermal, Microturbines, Other Distributed Generation Technologies

**Applicable Sectors:** Commercial, Industrial, Residential

**Special Rules for Net-Metered Systems?** Yes

**Limit on System Size/Overall Enrollment:** 10 MW at 60 kV or less / No limit on overall enrollment

**Standard Interconnection Agreement?** Yes

**Additional Insurance Requirements?** None specified

**External Disconnect Required?** Yes

**Rules for Non-Net-Metered DG?** Yes

**Website:** <http://www.puc.state.tx.us/rules/subrules/electric/index.cfm>

**Authority 1:** [16 TAC § 25.211 et seq.](#)

**Date Enacted:** 11/23/1999

**Effective Date:** 1/8/2001

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### Summary:

**Note:** [HB 3693](#), passed in May 2007 and effective September 2007, appears to make significant modifications to Texas net

**metering and interconnection policy, potentially making net metering available to systems of up to 2 MW. However, as of December 2007 no new rules had yet been adopted and discussions among the Electric Reliability Council of Texas (ERCOT) and the Public Utility Commission of Texas (PUCT) were still ongoing. PUCT documents on this subject are available under [Docket 34890](#) while ERCOT is addressing issues for small renewable generators (<50 kW) through its [Distributed Generation Task Force](#).**

The Texas Public Utility Regulatory Act (PURA) of 1999 included a provision that "a customer is entitled to have access 'to on-site distributed generation'" [§39.101(b)(3)]. This provision led the Public Utility Commission of Texas (PUCT) to adopt interconnection standards (Substantive Rules §25.211 and §25.212) in 1999. The rules apply to electrical generating facilities (consisting of one or more on-site distributed-generation units) located at a customer's point of delivery, with a maximum capacity of 10 megawatts (MW) and connected at a voltage less than 60 kilovolts (kV). The total capacity of a facility's individual on-site distributed generation units may exceed 10 MW. However, no more than 10 MW of capacity will be interconnected at any point in time at the point of common coupling.

The following conditions apply to Texas's interconnection rules for distributed generation:

- Installations must meet all applicable national, state and local construction and safety codes;
- No pre-interconnection study fees are required for units up to 500 kW (under most circumstances), and study fees for larger systems are limited;
- Time limits apply to pre-interconnection studies and application approval or rejection (4-6 weeks);
- Pre-certification provisions allow for fast-track interconnection;
  
- Equipment and operational requirements are differentiated based on connection type (single-phase or three-phase), paralleling mode and system size;
- Cut-off points exist 10 kW, 500 kW, 2 MW and 10 MW;
- The rules include technical provisions for interconnection to radial as well as network distribution systems;
- An external disconnect device is required for all systems;

- Standardized interconnection applications (2-3 pages) and interconnection agreements (4-5 pages) are used;
- No additional insurance is required;
- Liability is limited; and
- Dispute-resolution procedures have been designated.

The PUCT's *[Distributed Generation Interconnection Manual](#)* includes a review of safety and technical requirements of DG installations; a copy of applicable rules, application procedures and forms; Texas utility contacts; and equipment pre-certification requirements.

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**Contact:**

**Public Information - PUCT**

Public Utility Commission of Texas  
7800 Shoal Creek Boulevard, #400N  
Austin, TX 78757

**Phone:** (512) 936-7000

**E-Mail:** [customer@puc.state.tx.us](mailto:customer@puc.state.tx.us)

**Web site:** <http://www.puc.state.tx.us>

## Texas - Net Metering

*Last DSIRE Review: 11/28/2007*

**Incentive Type:** Net Metering Rules

**Eligible Renewable/Other Technologies:** Solar Thermal Electric, Photovoltaics, Landfill Gas, Wind, Biomass, Hydroelectric, Geothermal Electric, Tidal Energy, Wave Energy, Ocean Thermal

**Applicable Sectors:** Commercial, Industrial, Residential

**Limit on System Size:** 100 kW for qualifying facilities; 50 kW for renewables (see summary)

**Limit on Overall Enrollment:** None

**Treatment of Net Excess:** Purchased by utility for a given billing period at avoided-cost rate

**Utilities Involved:** Applies only to all integrated IOUs that have not unbundled in accordance with Public Utility Regulatory Act § 39.05; *does not apply to municipal utilities, river authorities and electric cooperatives*

**Interconnection Standards for Net Metering?** Yes

**Website:** <http://www.puc.state.tx.us/rules/subrules/electric/25.242/25.242ei.cfm>

**Authority 1:** [16 TAC § 25.242\(h\)\(4\)](#)

**Authority 2:** PURA § 31.002

**Authority 3:** 16 USC § 796(17)(D)

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### Summary:

Note: **HB 3693**, passed in May 2007 and effective September 2007, appears to make significant modifications to Texas net metering and interconnection policy, potentially making net metering available to systems of up to 2 MW. However, as of December 2007 no new rules had yet been adopted and discussions among the Electric Reliability Council of Texas (ERCOT) and the Public Utility Commission of Texas (PUCT)

were still ongoing. PUCT documents on this subject are available under [Docket 34890](#) while ERCOT is addressing issues for small renewable generators (<50 kW) through its [Distributed Generation Task Force](#).

The Public Utility Commission of Texas (PUCT) has adopted limited net-metering rules. PUCT Substantive Rule § 25.242(h) requires any integrated investor-owned utility (IOU) that has not unbundled in accordance with § 39.051 of the federal Public Utility Regulatory Policy Act (PURPA) to provide specific net-metering options for customers that operate qualifying facilities (QFs) of 100 kilowatts (kW) or less that use non-renewable-energy resources, and to qualifying facilities of 50 kW or less that use renewable-energy resources. Less than 25% of Texas is currently served by integrated IOUs since deregulation. Customers should review § 25.242 to determine if their renewable-energy facility meets the criteria for net metering. For eligible facilities, there is no statewide limit on the number of customers who may net meter, and there is no statewide limit on the total aggregate net-metered capacity under the rules.

Since Texas began deregulating its electric industry, electric utilities now fall into two categories with regard to net metering and interconnection: (1) integrated IOUs *outside* the Electric Reliability Council of Texas (ERCOT) with *a clear regulatory obligation to interconnect and net meter*, and (2) electric cooperatives, municipal utilities and river authorities with *no obligation to interconnect and net meter*.

For IOUs *outside* ERCOT (i.e., El Paso Electric Company, Entergy Texas, Southwestern Electric Power Company and Xcel Energy), a customer may interconnect a renewable-energy facility up to 50 kW in size with a single, bi-directional meter. With bi-directional net metering, customers effectively receive the retail price for energy produced up to the amount consumed on-site, and customers receive the utility's avoided-cost rate for excess energy exported to the grid.

For deregulated entities *within* ERCOT, there are no clearly written rules for net metering. Existing rules and requirements have not been modified to address this issue.

## **Interconnection Standards**

Any "electric utility" (defined in § 31.002 of PURA) that (1) owns and operates a distribution system in Texas, and (2) is not subject to a utility rate freeze, must make available, upon request, interconnection service to an electric customer with an on-site generating facility. To facilitate this right, the PUCT has adopted distributed generation (DG) rules for the interconnection of small generators to the electric utility network (16 TAC § 25.211 et seq.). 16 TAC § 25.211 prescribes rules applicable to all investor-owned utilities for such interconnections for generators of 10 megawatts or less. Click [here](#) for more information about Texas's interconnection standards.

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