

The Significance of the Texas CREZ Process for Transmission Planning Today

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This paper examines why the Texas Competitive Renewable Energy Zones, or CREZ, programme still matters for electricity policy today. The central problem is straightforward. Renewable generators can often be built relatively quickly, but major transmission lines take much longer. Developers may therefore be unwilling to build wind or solar projects until transmission exists, while transmission companies may be unwilling to build lines until generators have committed. CREZ was Texas's answer to this "chicken and egg" problem.

In 2005, the Texas Legislature instructed the Public Utility Commission of Texas to identify areas with strong renewable resources and to develop transmission capable of carrying their output to customers. The Commission designated five renewable zones, mainly in West Texas and the Panhandle, and approved a large transmission plan. By early 2014, nearly 3,600 miles of new transmission had been built, allowing much greater quantities of wind power to reach the main population centres. The programme ultimately cost more than \$7 billion.

Our main argument is that CREZ succeeded not simply because Texas planned ahead. It succeeded because it combined several different forms of decision-making. The Legislature set the broad objective. The regulator selected the zones, approved the transmission plan and created a firm timetable. ERCOT carried out the technical planning. Regulated transmission companies built the lines. But important practical decisions—especially the selection of providers and the precise routing of lines—were often shaped through negotiation among utilities, regulators, landowners and other affected parties. This mixture of central direction and negotiated implementation was crucial.

The programme produced substantial benefits. Later studies suggest that CREZ reduced congestion, helped electricity prices converge across Texas, enabled more wind generation, reduced emissions and created significant gains for the wholesale electricity market. It also demonstrated that building transmission before all the generation had appeared could unlock investment that conventional, incremental planning might never have supported.

But CREZ was not an unqualified success. The original cost estimates were incomplete, the final programme was considerably more expensive, and the benefits were not tested in advance through a full formal cost-benefit analysis. The burdens were also unevenly distributed. Consumers across Texas paid for the system, while some landowners and communities bore

local visual, property and environmental costs that were not always fully compensated. Texas later restricted the ability of new transmission companies to compete for projects, weakening one of CREZ's more innovative features.

The lesson is therefore not that other jurisdictions should copy CREZ mechanically. Rather, they should recover its basic logic while improving its methods. Large future transmission programmes need long-term planning, credible regulatory commitment and a way to move from strategic decisions to projects that can actually be built. They should also use clearer benefit tests, more transparent cost allocation, stronger protection for affected communities, safeguards against incumbent control and greater use of negotiated settlements under a regulatory backstop. CREZ remains important because it shows both the value of bold anticipatory planning and the institutional discipline needed to make such planning legitimate and workable.

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Publication	July 2026