

**SUBJECT:** Requirements for agreement between ERCOT and Mexican power grid

**COMMITTEE:** State Affairs — committee substitute recommended

**VOTE:** 12 ayes — Cook, Giddings, Craddick, Farrar, Geren, Guillen, K. King, Kuempel, Meyer, Paddie, E. Rodriguez, Smithee

0 nays

1 absent — Oliveira

**WITNESSES:** For — Buddy Garcia, Brownsville Public Utilities Board; Barton Ford, Tenaska; (*Registered, but did not testify:* Aaron Gregg, ITC Holdings Corporation)

Against — None

On — Phillip Oldham, Texas Association of Manufacturers; Lindsey Hughes, Texas Competitive Power Advocates; (*Registered, but did not testify:* Warren Lasher, Electric Reliability Council of Texas; Brian Lloyd, Public Utility Commission)

**BACKGROUND:** The Electric Reliability Council of Texas (ERCOT) manages the flow of electric power to about 90 percent of the state's electric grid. ERCOT is a membership-based nonprofit subject to oversight by the Public Utility Commission (PUC) and the Legislature.

Some observers suggest that opening up the Mexican energy markets to Texas generators could result in significant economic benefits to the state. They also say a coordination agreement between ERCOT and the Mexican power grid would provide opportunities for electric generators south of the border to supply electricity to Texas consumers, including those in the Rio Grande Valley that are often at risk of rolling blackouts and power failures.

**DIGEST:** CSHB 1665 would require the Public Utility Commission (PUC) to

approve a binding coordination agreement between the operators of the Electric Reliability Council of Texas (ERCOT) power grid and the Mexican power grid. The agreement would govern the dispatching of energy into the ERCOT power grid and the Mexican power grid from a new switchable electric generating facility.

The bill would authorize the PUC to impose reasonable conditions on a binding coordination agreement to protect the public interest and would establish certain requirements for it, including one to ensure the commitment of at least 35 percent of the switchable electric generating facility to serve ERCOT during a critical load condition, regardless of conditions on the Mexican power grid.

PUC would have to approve a binding coordination agreement that complied with the requirements in the bill within 185 days of the agreement being filed.

A binding coordination agreement could limit the provision of service from a unit to the ERCOT power grid during an emergency.

The bill would take effect September 1, 2017.