

SUBJECT: Regulating the interconnection of some distributed generation facilities

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 12 ayes — Paddie, Hernandez, Deshotel, Harless, Howard, Hunter, P. King, Metcalf, Raymond, Shaheen, Slawson, Smithee

0 nays

1 absent — Lucio

WITNESSES: For — George Presses, H-E-B; Cyrus Reed, Lone Star Chapter Sierra Club; *(Registered, but did not testify:* William Yarnell, Buc-ees; Carrie Simmons, Conservative Texans for Energy Innovation; Mike Meroney, Enel North America; Austin Holder, HoltCat; Mark Vane, Husch Blackwell Strategies; Joshua Houston, Texas Impact; Taylor Sims, Texas Solar Power Association; Tom Glass; Fred Reitman)

Against — *(Registered, but did not testify:* Bill Kelly, Mayor's Office, City of Houston)

On — Julia Harvey, Texas Electric Cooperatives

BACKGROUND: It has been suggested that distributed generation facilities could allow customers to generate their own electricity to provide extra power to their homes and businesses during outages or to sell power wholesale on the market, which could contribute to the overall stability of the state's electric grid.

DIGEST: CSHB 3916 would allow a person who owned or operated a distributed generation facility in the ERCOT power region to sell electric power generated by the facility at wholesale in that region's market, and in areas where retail customer choice existed, to the customer on whose side of the meter the facility was installed and operated. A "distributed generation facility" would be defined as a facility installed on the customer's side of the meter with a nameplate capacity of between 250 and 2,500 kilowatts

and that was capable of providing backup supplementary power to the customer's premises.

In areas where retail customer choice did not exist, power could be sold to a customer on whose side of the meter the facility was installed and operated for on-site use:

- during certain emergencies;
- during times of service interruption or inadequacy at the customer's premises;
- during construction on the customer's premises;
- for maintenance and testing of the facility; and
- for up to an additional 75 hours per year in any other situation.

An electric cooperative, municipally owned utility, or retail electric provider that provided retail service to the owner or operator of a distributed generation facility could purchase electric power from the owner or operator at a value agreed between the two parties. That value could be based on the ERCOT power region market clearing price of energy at the time of day and location at which the power was made available.

An electric utility would have to allow interconnection and provide distribution and transmission service to a distributed generation facility on a nondiscriminatory basis and in a timely manner. A utility could recover from the owner or operator of the facility reasonable costs directly attributed to interconnection. When an electric utility received a request for interconnection, it would have to provide the owner or operator with a written good-faith cost estimate and could not incur a cost for the interconnection without entering into a written agreement for payment of costs by the owner or operator of the distributed generation facility. A utility would have to interconnect to such a facility no later than 90 days after receiving a request from the owner or operator, except that the process could be extended for up to 30 days if the request required the construction or upgrade of a feeder line.

An electric utility could charge the owner or operator of a distributed generation facility reasonable and nondiscriminatory rates for distribution service only to the extent that the rates were in accordance with a tariff filed with the Public Utility Commission (PUC).

If the distributed generation facility was located in the certificated area of an electric utility that owned and operated generation and had adopted retail customer choice, the owner or operator of the facility would have to contract with the utility for any services required to participate in the ERCOT power region wholesale market, unless the owner or operator determined that the services were not offered on a nondiscriminatory basis at a reasonable cost. In that case, the owner or operator could contract with a third-party provider for the services.

CSHB 3916 would grant PUC authority to resolve disputes between a utility and facility owner or operator related to the provisions of the bill, and would require a distributed generation facility to comply with emissions limitations established by the Texas Commission on Environmental Quality for facilities installed after January 1, 1995, and subject to standard permit requirements under state law.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2021.