

SUBJECT: Establishing a reasonable allowance for certain generation resources costs

COMMITTEE: State Affairs — favorable, without amendment

VOTE: 8 ayes — Hunter, Dean, Geren, Guillen, Metcalf, Raymond, Slawson, Spiller

4 nays — Hernandez, Anchía, Smithee, Turner

1 absent — S. Thompson

SENATE VOTE: On final passage (April 5) — 19 - 12

WITNESSES: For — John Hubbard, Texas Association of Manufacturers (*Registered, but did not testify*: Jason Ryan, CenterPoint Energy; Heather Harward, South Texas Electric Cooperative; Chris Noonan, Texas Chemical Council; Julia Harvey, Texas Electric Cooperatives; Shana Joyce, Texas Oil and Gas Association; Brent Bennett, Texas Public Policy Foundation; Solange Hommel; Lucy Trainor)

Against — Mark Stover, Advanced Power Alliance; Mark Stover, Apex Clean Energy; Matthew Boms, Texas Advanced Energy Business Alliance; Mark Stover, Texas Solar Power Association (*Registered, but did not testify*: Judd Messer, Advanced Power Alliance; Leslie Pardue, Clearway Energy; Matt Welch, Conservative Texans for Energy Innovation; Brittany Heckard, Cypress Creek Renewables; Sloan Byerly, EDPR North America; Michael Jewell, Enel GP; Robert Helton, Engie NA; Jason Sabo, Environment Texas; Sandra Haverlah, Environmental Defense Fund; Tammy Embrey, Invenergy, LLC; Cyrus Reed, Lone Star Chapter Sierra Club; Sloan Byerly, Ørsted; Michael Jewell, Pattern Energy; Lisa Hughes, RWE Clean Energy, LLC; Michael Jewell, Solar Energy Industries Association; Alison Silverstein, Texas Consumer Association; Suzi McClellan, AES Corporation)

On — (*Registered, but did not testify*: Shawn Hall Lecuona, Almighty; Michael Hoke, Public Utility Commission of Texas)

**BACKGROUND:** Some have suggested that establishing a reasonable allowance calculation on costs incurred by certain generation resource interconnections could help lower consumer costs, encourage the owners of generation resources to locate closer to the load, and allocate costs in excess of the allowance to the interconnecting generation resource.

**DIGEST:** SB 1287 would require the Public Utility Commission (PUC) to establish a reasonable, per-megawatt allowance for costs incurred to interconnect generation resources directly with the ERCOT transmission system at transmission voltage. The allowance would have to be designed to lower consumer costs and encourage owners of generation resources to locate resources closer to the load. The allowance also would be required to take into account:

- average historical dispatchable generation interconnection costs; and
- the reliability impact on the grid of the interconnecting resource and whether the interconnecting resource increased reliability or volatility in managing the grid.

Costs in excess of the allowance would have to be assigned directly to and collected from the generation resource interconnecting through the facilities. By September 1 of every fifth year after 2023, PUC would be required to review the allowance and could adjust the allowance to account for inflation or supply chain issues. The relevant excessive costs or cost adjustments would not be subject to the applicable PUC postage stamp method of pricing wholesale transmission services within ERCOT.

The bill would take effect September 1, 2023.