

BILL ANALYSIS

Senate Research Center
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S.B. 1281
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In the Electric Reliability Council of Texas (ERCOT), customers pay for all electric transmission facilities. Generators in ERCOT do not pay for any transmission costs, nor do any other market participants.

However, there is currently no transmission planning test to identify a transmission project that will save customers more money than it costs. S.B. 1281 would require the Public Utility Commission of Texas (PUC) and ERCOT to implement a customer-focused electric transmission planning test.

When a region of the state has limited transmission access, this causes high prices for customers—known as "congestion costs." Congestion costs happen when only close-proximity generators are able to deliver power to customers in a particular area.

Lower-cost generators in other areas of the state could serve those customers, with additional transmission access, but there are not enough lines to serve the load (e.g., concentrated pocket of demand).

Today, the only economic planning test for transmission in ERCOT measures "production cost" savings. "Production costs" are the actual fuel costs (gas, coal, solar, wind, nuclear) required for generators to run. Production costs are not the same as the market clearing price, which is based on an energy offer from the last generator dispatched at any given time.

This sort of test does not make sense in ERCOT since customers do not pay fuel or "production" costs directly—they pay the market clearing price.

A test to identify a transmission project that saves customers more than it costs existed roughly a decade ago, known as the "consumer impact test," but it was eliminated by PUC rule in 2011.

S.B. 1281 reduces costs and improves reliability.

S.B. 1281 would require the PUC to identify projects where the cost of a transmission line would be completely offset by lower congestion costs to customers. Areas with high congestion costs typically also indicate a future reliability issue. A customer-focused transmission test would build transmission projects based on sound economics before there is a reliability problem.

As proposed, S.B. 1281 amends current law relating to certificates of public convenience and necessity for certain transmission projects.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Public Utility Commission of Texas is modified in SECTION 1 (Section 37.056, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 37.056(d), Utilities Code, as follows:

(d) Requires the Public Utility Commission of Texas (PUC) by rule to establish criteria, in addition to the criteria described by Subsection (c) (relating to the requirement that the PUC grant a certificate of convenience and necessity after considering certain factors), for granting a certificate for a transmission project that serves the Electric Reliability Council of Texas (ERCOT) power region, that is not necessary to meet state or federal reliability standards, and that is not included in a plan developed under Section 39.904(g) (relating to the requirement that the PUC execute certain actions pertaining to competitive renewable energy zones), rather than criteria for granting a certificate for a transmission project that serves the ERCOT power region that does not serve a competitive renewable energy zone. Requires that the criteria include a comparison of the estimated cost of the transmission project for consumers and the estimated cost savings for consumers that may result from the transmission project.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2021.