

## **BILL ANALYSIS**

Senate Research Center  
88R20667 DIO-F

C.S.S.B. 1287  
By: King  
Business & Commerce  
3/30/2023  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Currently, the costs arising from the interconnection of certain electric generation facilities with the Electric Reliability Council of Texas (ERCOT) transmission system are socialized and paid for by Texas consumers while the interconnecting generator bears none of the costs. Because generators do not pay for interconnection costs, they are not incentivized to look for the best locations to efficiently interconnect new resources and instead often opt for cheap land that is far from the consumers they wish to serve, thus causing millions of dollars of costs to the system for all consumers. It has been noted that outside of the ERCOT region this practice is less common and generators are often made to bear some or all of the costs associated with the interconnection of their generation assets. Because there are about \$1 billion of interconnection costs associated with pending generation projects in the ERCOT queue, it is essential that reform is undertaken so that Texas consumers are not forced to bear the totality of these costs. S.B. 1287 seeks to provide for a cap on the amount of capital costs incurred to interconnect generation resources and electric energy storage resources with the ERCOT transmission system that may be socialized and require that any excess costs be borne directly by the applicable generation resource or electric energy storage resource.

(Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 1287 amends current law relating to the cost of interconnecting certain electric generation facilities with the ERCOT transmission system.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 1 (Section 35.004, Utilities Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 35.004, Utilities Code, by amending Subsection (d) and adding Subsections (d-1), (d-2), and (d-3), as follows:

(d) Requires the Public Utility Commission of Texas (PUC) to price wholesale transmission services within the Electric Reliability Council of Texas (ERCOT) based on the postage stamp method of pricing under which a transmission-owning utility's rate is based on the ERCOT utilities' combined annual costs of transmission, other than costs described by Subsections (d-2) and (d-3), divided by the total demand placed on the combined transmission systems of all such transmission-owning utilities within a power region.

(d-1) Requires the PUC by rule to establish a reasonable allowance to be applied on a per megawatt basis for costs incurred to interconnect generation resources directly with the ERCOT transmission system at transmission voltage, including costs of utility interconnection facilities. Requires that the allowance:

(1) take into account:

(A) average historical dispatchable generation interconnection costs; and

(B) the reliability impact to the grid of the interconnecting resource and whether the interconnecting resource increases reliability or volatility in managing the grid; and

(2) be designed to lower costs to consumers and encourage owners of generation resources to locate the resources closer to load.

(d-2) Requires that costs in excess of the allowance provided by Subsection (d-1) incurred to interconnect generation resources with the ERCOT transmission system, including costs of utility interconnection facilities, be directly assigned to and collected from the generation resource interconnecting through the facilities.

(d-3) Provides that the PUC, not later than September 1 of every fifth year after 2023, is required to review and is authorized to adjust the allowance provided by Subsection (d-1) to account for inflation or supply chain issues.

SECTION 2. Effective date: September 1, 2023.