

BILL ANALYSIS

Senate Research Center
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S.B. 2015
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In S.B. 7 (76R), the legislature adopted a goal that 50 percent of the generating capacity in the state installed after January 1, 2000, would be produced using natural gas and authorized the Public Utility Commission (PUC) to set up an energy credits program to meet this goal. However, renewable energy was a fledgling industry at the time and S.B. 7 separately promoted growth of wind and solar generation through a renewable energy credits (REC) program. As a result, renewable energy was excluded in calculating whether the state was meeting this 50% goal.

Since the adoption of S.B. 7, the PUC has implemented rules to govern the natural gas credits trading program. The PUC's rules require municipally owned utilities, power generation companies, and electric cooperatives to either own sufficient natural gas generation to meet this 50% requirement, or to purchase credits from other natural gas generators to support the requirement. However, the PUC has subsequently waived the requirements each year after finding that the 50% goal is met because renewable capacity is excluded.

Today, there is a proliferation of renewable generation in Texas and the Renewable Energy Credit (REC) mandate is no longer needed. Conversely, the state is seeking to incentivize additional dispatchable generation, including but not limited to natural gas generation.

The purpose of this bill is to update the original natural gas goal from S.B. 7 in two key ways: (1) to include all dispatchable generating technologies, not just natural gas, and (2) to include renewable generating capacity in determining whether the 50% goal is being achieved. This will update the natural gas goal to satisfy modern conditions and support reliability of the state's electric grid given our current resource mix.

Benefits:

These changes will better support grid reliability by requiring power generators, electric cooperatives and municipally owned utilities to ensure that at least 50% of their capacity comes from a reliable, dispatchable generating source. Federal mandates, investing trends, and other economic factors have caused an imbalance today as between intermittent/renewable generation and dispatchable generation. This provides a cost-effective way of rebalancing our generating portfolio in Texas and limits the need to increase consumer costs.

As proposed, S.B. 2015 amends current law relating to the legislature's goals for electric generation capacity in this state.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Public Utility Commission of Texas is modified in SECTION 1 (Section 39.9044, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 39.9044, Utilities Code, as follows:

Sec. 39.9044. New heading: GOAL FOR DISPATCHABLE GENERATION. (a)
Provides that it is the intent of the legislature that 50 percent of the megawatts of

generating capacity installed in this state after January 1, 2024, rather than January 1, 2000, be dispatchable, rather than use natural gas. Deletes existing text requiring the Public Utility Commission of Texas (PUC), to the extent permitted by law, to establish a program to encourage utilities to comply with this section by using natural gas produced in this state as the preferential fuel. Deletes existing text providing that this section does not apply to generating capacity for renewable energy technologies.

(b) Requires the PUC to establish a dispatchable generation, rather than natural gas, energy credits trading program. Requires any power generation company, municipally owned utility, or electric cooperative that does not satisfy the requirements of Subsection (a) by directly owning or purchasing capacity using dispatchable generation technologies to purchase sufficient dispatchable generation energy credits to satisfy the requirements by holding dispatchable generation energy credits in lieu of capacity from dispatchable generation technologies. Deletes existing text requiring any power generation company, municipally owned utility, or electric cooperative that does not satisfy the requirements of Subsection (a) by directly owning or purchasing capacity using natural gas technologies to purchase sufficient natural gas energy credits to satisfy the requirements by holding natural gas energy credits in lieu of capacity from natural gas energy technologies.

(c) Requires the PUC to adopt rules necessary to administer and enforce this section and to perform any necessary studies in cooperation with the Railroad Commission of Texas (RRC). Requires that the rules:

(1) establish the minimum annual dispatchable, rather than natural gas, generation requirement for each power generation company, municipally owned utility, and electric cooperative operating in this state in a manner reasonably calculated by the PUC to produce, on a statewide basis, compliance with the requirement prescribed by Subsection (a); and

(2) specify reasonable performance standards that all dispatchable generation, rather than natural gas, capacity additions are required to meet to count against the requirement prescribed by Subsection (a) and that:

(A)-(B) makes no changes to these paragraphs.

Deletes existing text requiring the PUC to adopt rules, not later than January 1, 2000.

(d) Makes no changes to this subsection.

(e) Requires the PUC, on or before January 1, 2027, to activate the dispatchable generation energy credits trading program established by this section if the PUC determines that dispatchable generation generating capacity installed in this state after January 1, 2024, may fall below 55 percent of all generating capacity installed in this state after January 1, 2024. Requires the PUC to adopt rules not later than 180 days after the date of the program's activation to determine the conditions for compliance and penalties for noncompliance for each power generation company, municipally owned utility, and electric cooperative subject to the program. Deletes existing text defining "natural gas technology."

(f) Authorizes the PUC, notwithstanding Subsection (e), to accelerate implementation of individual requirements for power generation companies, municipally owned utilities, and electric cooperatives if the PUC determines that such action is in the public interest.

(g) Requires each power generation company, municipally owned utility, and electric cooperative, before September 15 of each year, to file with the PUC on a form prescribed by the PUC a report regarding all generating facilities the power

generation company, municipally owned utility, or electric cooperative owns or operates in this state.

(h) Requires the PUC, not later than May 15 of each year, to publish, in aggregate form only, information submitted to the PUC in compliance with this section and calculations that show whether the prior year's generating capacity in this state is in compliance with this section and whether capacity for the following three years is likely to be in compliance with this section based on the forecast information submitted.

SECTION 2. Amends Section 40.004, Utilities Code, as follows:

Sec. 40.004. JURISDICTION OF COMMISSION. Provides that the PUC, except as specifically otherwise provided in Chapter 40 (Competition For Municipally Owned Utilities and River Authorities), has jurisdiction over municipally owned utilities only for the following purposes:

(1)-(5) makes no changes to these subdivisions;

(6) to administer the renewable energy credits program under Section 39.904(b) (relating to requiring the PUC to establish a renewable energy credits trading program) and the dispatchable generation, rather than natural gas, energy credits program under Section 39.9044(b);

(7)-(8) makes no changes to these subdivisions;

SECTION 3. Effective date: September 1, 2023.