

## **BILL ANALYSIS**

Senate Research Center  
8815918 JXC-D

S.B. 7  
By: Schwertner; King  
Business & Commerce  
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As Filed

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

The Texas electricity market is distorted due to federal subsidies targeted at less reliable generators, which gives them an unfair market advantage over reliable generators. While these subsidies generally lower prices, they also contribute to a less reliable grid. S.B. 7 addresses market uncertainty and increases reliability by targeting investment at the dispatchable assets that we need.

As proposed, S.B. 7 amends current law relating to the reliability of the ERCOT power grid.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends the heading to Section 39.159, Utilities Code, as added by Chapter 426 (S.B. 3), Acts of the 87th Legislature, Regular Session, 2021, to read as follows:

Sec. 39.159. POWER REGION RELIABILITY AND DISPATCHABLE GENERATION.

SECTION 2. Amends Section 39.159, Utilities Code, as added by Chapter 426 (S.B. 3), Acts of the 87th Legislature, Regular Session, 2021, by amending Subsection (b) and adding Subsections (b-1) and (d), as follows:

(b) Requires the Public Utility Commission of Texas (PUC) to ensure that the independent organization certified under Section 39.151 (Essential Organizations) for the Electric Reliability Council of Texas (ERCOT) power region:

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

(4)-(5) makes a nonsubstantive change to these subdivisions; and

(6) allocates the cost of providing ancillary services and reliability services procured under this section on an annual basis among dispatchable generation facilities, non-dispatchable generation facilities, and load serving entities in proportion to their contribution to net load variability over the highest 100 hours of net load in the preceding year as follows:

(A) for dispatchable generation facilities, the difference between the mean of the highest quartile forced outage rate for the facility and the mean forced outage rate of all dispatchable generation facilities in the ERCOT power region;

(B) for non-dispatchable generation facilities, the difference between the mean of the lowest quartile generation for each non-dispatchable generation facility, divided by the installed capacity of that facility, and

the mean generation of all non-dispatchable generation facilities in the ERCOT power region, divided by the total installed capacity of all non-dispatchable generation facilities in the ERCOT power region; and

(C) for load serving entities, the difference between the mean of the highest quartile of each entity's metered load and the mean of each entity's metered load.

(b-1) Provides that Subsection (b)(6) applies only to a generation facility or load serving entity that has participated in the ERCOT market for at least one year.

(d) Requires the PUC to require the independent organization certified under Section 39.151 for the ERCOT power region to develop an ancillary services program that requires load serving entities to purchase dispatchable reliability reserve services on a day-ahead basis to account for market uncertainty. Requires that the program provide payments only to generation resources that are not providing other ancillary services. Requires the PUC to require the independent organization to:

(1) determine the quantity of services necessary based on historical variations in generation availability for each season based on a targeted reliability standard or goal, including renewable intermittency and forced outage rates; and

(2) develop criteria for resource participation that require a resource to:

(A) have a runtime of at least four hours;

(B) be available not less than two hours after being called on for deployment; and

(C) have the dispatchable flexibility to address inter-hour operational challenges.

SECTION 3. Amends Subchapter D, Chapter 39, Utilities Code, by adding Section 39.1591, as follows:

Sec. 39.1591. REPORT ON DISPATCHABLE AND NON-DISPATCHABLE GENERATION FACILITIES. Requires the PUC to file an annual report with the legislature that:

(1) includes:

(A) the estimated annual costs required to be incurred under Subchapter D (Market Structure) by non-dispatchable generators to guarantee that a firm amount of electric energy will be provided for the ERCOT power grid; and

(B) the cumulative annual transmission costs that have been incurred in the ERCOT market to facilitate the transmission of non-dispatchable electricity to load;

(2) documents the status of the implementation of this subchapter, including whether the rules and protocols adopted to implement this subchapter have materially improved the reliability, resilience, and transparency of the electricity market; and

(3) includes recommendations for any additional legislative measures needed to empower the PUC to implement market reforms to ensure that market signals are adequate to preserve existing dispatchable generation and incentivize the construction of new dispatchable generation sufficient to maintain reliability standards for at least five years after the date of the report.

SECTION 4. (a) Requires the PUC, not later than September 1, 2024, to implement the changes in law made by this Act to Section 39.159(b), Utilities Code, as added by Chapter 426 (S.B. 3), Acts of the 87th Legislature, Regular Session, 2021.

(b) Requires the PUC, not later than December 1, 2024, to implement the changes in law made by this Act in Section 39.159(d), Utilities Code, as added by this Act.

(c) Requires the PUC to prepare the portion of the first report required by Section 39.1591(1), Utilities Code, as added by this Act, not later than December 1, 2023.

(d) Requires the PUC to prepare the portions of the first report required by Sections 39.1591(2) and (3), Utilities Code, as added by this Act, not later than December 1, 2024.

SECTION 5. Effective date: upon passage or September 1, 2023.