

By: King, Hughes, Kolthorst

S.B. No. 1287

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the cost of interconnecting certain electric generation
3 facilities with the ERCOT transmission system.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 35.004, Utilities Code, is amended by
6 amending Subsection (d) and adding Subsections (d-1), (d-2), and
7 (d-3) to read as follows:

8 (d) The commission shall price wholesale transmission
9 services within ERCOT based on the postage stamp method of pricing
10 under which a transmission-owning utility's rate is based on the
11 ERCOT utilities' combined annual costs of transmission, other than
12 costs described by Subsections (d-2) and (d-3), divided by the
13 total demand placed on the combined transmission systems of all
14 such transmission-owning utilities within a power region. An
15 electric utility subject to the freeze period imposed by Section
16 39.052 may treat transmission costs in excess of transmission
17 revenues during the freeze period as an expense for purposes of
18 determining annual costs in the annual report filed under Section
19 39.257. Notwithstanding Section 36.201, the commission may approve
20 wholesale rates that may be periodically adjusted to ensure timely
21 recovery of transmission investment. Notwithstanding Section
22 36.054(a), if the commission determines that conditions warrant the
23 action, the commission may authorize the inclusion of construction
24 work in progress in the rate base for transmission investment

1 required by the commission under Section 39.203(e).

2 (d-1) The commission by rule shall establish a reasonable
3 allowance to be applied on a per megawatt basis for costs incurred
4 to interconnect generation resources directly with the ERCOT
5 transmission system at transmission voltage, including costs of
6 utility interconnection facilities. The allowance must:

7 (1) take into account:

8 (A) average historical dispatchable generation
9 interconnection costs; and

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

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

16 (d-2) Costs in excess of the allowance provided by
17 Subsection (d-1) incurred to interconnect generation resources
18 with the ERCOT transmission system, including costs of utility
19 interconnection facilities, must be directly assigned to and
20 collected from the generation resource interconnecting through the
21 facilities.

22 (d-3) Not later than September 1 of every fifth year after
23 2023, the commission shall review and may adjust the allowance
24 provided by Subsection (d-1) to account for inflation or supply
25 chain issues.

26 SECTION 2. This Act takes effect September 1, 2023.