

By: Nichols

S.B. No. 1866

A BILL TO BE ENTITLED

AN ACT

relating to the use of customer-sited distributed generation facilities owned by certain non-ERCOT electric utilities.

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

SECTION 1. Subchapter E, Chapter 36, Utilities Code, is amended by adding Section 36.215 to read as follows:

Sec. 36.215. RECOVERY OF INVESTMENT IN DISTRIBUTED GENERATION AND RATES FOR BACKUP ELECTRIC SERVICE FOR CERTAIN NON-ERCOT UTILITIES. (a) In this section:

(1) "Customer-sited distributed generation facility" means a dispatchable generation facility that is installed on the electric utility's side of the retail meter and owned and operated by the electric utility:

(A) with a nameplate capacity of not more than 10 megawatts;

(B) that is capable of generating and providing backup electric service to a customer during a power grid outage; and

(C) sited at or adjacent to the customer's premises.

(2) "Host customer" means a customer receiving backup electric service under this section.

(b) This section applies only to an electric utility that operates solely outside of ERCOT in areas of this state included in

1 the Southeastern Electric Reliability Council.

2 (c) An electric utility may provide backup electric service
3 to a nonresidential retail customer through a customer-sited
4 distributed generation facility.

5 (d) The commission, on the petition of an electric utility,
6 shall establish just and reasonable rates for backup electric
7 service supplied using a customer-sited distributed generation
8 facility, consistent with this chapter, provided that costs are
9 allocated as follows:

10 (1) if a customer-sited distributed generation
11 facility is capable of directly supplying energy to the
12 distribution system or of disconnecting the host customer from the
13 distribution system when not being used to supply backup electric
14 service to the host customer and thereby reducing system load, the
15 commission shall allocate the cost of owning and operating the
16 facility between the host customer and the electric utility's
17 broader customer base, including an allocation of any margins from
18 off-system energy sales attributable to the facility to the host
19 customer in reasonable proportion to the allocation of nonfuel
20 costs as provided by Subdivision (2); and

21 (2) the allocation of nonfuel costs to the host
22 customer must be based on the cost to purchase, install,
23 interconnect, own, operate, and maintain a customer-sited
24 distributed generation facility that is above the electric
25 utility's levelized avoided cost to install, own, operate, and
26 maintain a single-cycle combustion turbine, on a per kilowatt
27 basis, grossed up for avoided line losses based on the utility's

1 transmission and distribution line loss factors last approved by
2 the commission.

3 (e) In a rate proceeding in which an electric utility seeks
4 to recover investment in a customer-sited distributed generation
5 facility that is interconnected to the utility's distribution
6 system, the cost of the facility allocable to the utility's broader
7 customer base must be allocated among customer classes on the same
8 basis used to allocate the utility's distribution-level
9 investments.

10 SECTION 2. This Act takes effect immediately if it receives
11 a vote of two-thirds of all the members elected to each house, as
12 provided by Section 39, Article III, Texas Constitution. If this
13 Act does not receive the vote necessary for immediate effect, this
14 Act takes effect September 1, 2023.