

By: Schwertner, et al.
(Hunter)

S.B. No. 2012

Substitute the following for S.B. No. 2012:

By: Dean

C.S.S.B. No. 2012

A BILL TO BE ENTITLED

AN ACT

relating to the implementation of a program to meet the reliability needs of the ERCOT power region.

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

SECTION 1. Subchapter D, Chapter 39, Utilities Code, is amended by adding Section 39.166 to read as follows:

Sec. 39.166. RELIABILITY PROGRAM. (a) The commission may not require retail customers or load-serving entities in the ERCOT power region to purchase credits designed to support a required reserve margin or other capacity or reliability requirement until:

(1) the independent organization certified under Section 39.151 for the ERCOT power region and the wholesale electric market monitor complete an updated assessment on the cost to and effects on the ERCOT market of the proposed reliability program; and

(2) the independent organization certified under Section 39.151 for the ERCOT power region begins implementing real time co-optimization of energy and ancillary services in the ERCOT wholesale market.

(b) The assessment required under Subsection (a) must include:

(1) an evaluation of the cost of new entry and the effects of the proposed reliability program on consumer costs and the competitive retail market;

1 (2) a compilation of detailed information regarding
2 cost offsets realized through a reduction in costs in the energy and
3 ancillary services markets and use of reliability unit commitments;

4 (3) a set of metrics to measure the effects of the
5 proposed reliability program on system reliability;

6 (4) an evaluation of the cost to retain existing
7 dispatchable resources in the ERCOT power region;

8 (5) an evaluation of the planned timeline for
9 implementation of real time co-optimization for energy and
10 ancillary services in the ERCOT power region; and

11 (6) anticipated market and reliability effects of new
12 and updated ancillary service products.

13 (c) The commission may not implement a reliability program
14 described by Subsection (a) unless the commission by rule
15 establishes the essential features of the program, including
16 requirements to meet the reliability needs of the power region, and
17 the program:

18 (1) requires the independent organization certified
19 under Section 39.151 for the ERCOT power region to procure the
20 credits centrally in a manner designed to prevent market
21 manipulation by affiliated generation and retail companies;

22 (2) limits participation in the program to
23 dispatchable resources with the specific attributes necessary to
24 meet operational needs of the ERCOT power region;

25 (3) ensures that a generator cannot receive credits
26 that exceed the amount of generation bid into the forward market by
27 that generator;

1 (4) ensures that an electric generating unit can
2 receive a credit only for being available to perform in real time
3 during the tightest intervals of low supply and high demand on the
4 grid, as defined by the commission on a seasonal basis;

5 (5) establishes a penalty structure, resulting in a
6 net benefit to load, for generators that bid into the forward market
7 but do not meet the full obligation;

8 (6) provides the wholesale electric market monitor
9 with the authority and resources necessary to investigate potential
10 instances of market manipulation by any means, including by
11 financial or physical actions;

12 (7) ensures that the net cost imposed on the ERCOT
13 market for the credits does not exceed \$500 million annually;

14 (8) ensures that any program reliability standard
15 reasonably balances the incremental reliability benefits to
16 customers against the incremental costs of the program based on an
17 evaluation by the wholesale electric market monitor;

18 (9) establishes a single ERCOT-wide clearing price for
19 the program and does not differentiate payments or credit values
20 based on locational constraints;

21 (10) does not assign costs, credit, or collateral for
22 the program in a manner that provides a cost advantage to
23 load-serving entities who own, or whose affiliates own, generation
24 facilities;

25 (11) requires sufficient secured collateral so that
26 other market participants do not bear the risk of non-performance
27 or non-payment;

1 (12) ensures that the cost of all credits paid to
2 dispatchable resources is allocated to loads based on an hourly
3 load ratio share; and

4 (13) removes any market changes implemented as a
5 bridge solution for the program not later than the first
6 anniversary of the date the program was implemented.

7 (d) The commission and the independent organization
8 certified under Section 39.151 for the ERCOT power region may not
9 adopt a market rule for the ERCOT power region associated with the
10 implementation of a reliability program described by Subsection (a)
11 that provides a cost advantage to load-serving entities who own, or
12 whose affiliates own, generation facilities.

13 (e) The wholesale electric market monitor biennially shall:

14 (1) evaluate the incremental reliability benefits of
15 the program for consumers compared to the costs to consumers of the
16 program and the costs in the energy and ancillary services markets;
17 and

18 (2) report the results of each evaluation to the
19 legislature.

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