

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 10, 2017

TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB83 by Hall (Relating to protection of energy critical infrastructure from electromagnetic, geomagnetic, terrorist, and cyber-attack threats.), **As Introduced**

The statewide fiscal implications of the bill cannot be determined at this time, but are expected to result in a significant cost to the State. These costs primarily relate to the bill's requirements that the Public Utility Commission pay the costs associated with increasing the security of the state's electric grid.

The bill would amend the Government Code to establish the Electromagnetic Threat Preparedness Task Force, comprised of regional emergency management representatives appointed by the Texas Division of Emergency Management (TDEM), to develop a comprehensive threat protection and recovery plan and related duties. The task force would be required to submit the plan to the Governor and the Legislature, and TDEM would be required to implement the plan for energy critical infrastructure and vital utility facilities in Texas. It is assumed that the travel and organizational costs associated with the deliberative activities of the task force can be absorbed within existing resources. However, it is unknown how much it would cost TDEM to implement the comprehensive threat protection and recovery plan because the task force's recommendations are unknown.

The bill would amend the Utilities Code to require a certain independent organization the Electric Reliability Council of Texas (ERCOT) to collect and compile information, which would be confidential, related to the security of the electric grid. It is assumed the costs associated with this reporting requirement can be absorbed within current resources.

The bill would require the Public Utility Commission (PUC) to implement an electric grid security program and pay the costs of investments to increase security of the ERCOT electric grid, as well as related audit and travel costs. The cost to the state associated with increasing the security of the ERCOT grid is assumed significant, if not determinable, at this time. For example, PUC estimates costs of \$156,703,600 over the 2018-19 biennium to reimburse costs associated with required security upgrades investments; \$22,525,000 to fund security audit and committee consultant contracts; and \$255,916 in FTE-related costs relating to PUC program administration.

The bill would create a Grid Security Advisory Committee, with six members appointed by the Governor, Lieutenant Governor, and Speaker of the House, to study the Texas electric grid, and computer systems and networks related to the grid, and submit a report with committee findings no later than December 1, 2018. It is assumed that the travel and organizational costs associated with the deliberative activities of the Grid Security Advisory Committee can be absorbed within existing resources.

The bill would require transmission and distribution utilities, and electric cooperatives, river authorities and municipally owned utilities operating in ERCOT, to assess and report to TDEM on their respective systems' vulnerabilities to electromagnetic (and other) threats by December 31, 2018, and to complete related enhancements to certain system components by December 31, 2021. The costs for required enhancements would be eligible for recovery under this bill's provisions. It is assumed all the enhancement costs required by the bill would be reimbursed by the state. These costs are unknown, but are assumed to be potentially significant, to the degree the enhancements are numerous and costly.

The bill would take effect immediately upon a two-thirds vote of all members of both chambers; otherwise, the bill would take effect September 1, 2017.

Local Government Impact

Austin Energy estimates \$11.1 million in fiscal year 2018 to comply with the physical upgrades for the transmission and distribution system required by this bill. Austin Energy estimates it would cost at least \$54.4 million over a 5 year period. Austin Energy cannot estimate the fiscal impact of other provisions of the bill but estimates they would significantly increase the cost.

Source Agencies: 300 Trusted Programs Within the Office of the Governor, 304 Comptroller of Public Accounts, 405 Department of Public Safety, 473 Public Utility Commission of Texas, 475 Office of Public Utility Counsel

LBB Staff: UP, CL, AI, JAW, BM