

BILL ANALYSIS

C.S.H.B. 1672
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State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Since the unbundling of the electric market in ERCOT into distinct retail, generation, and transmission and distribution business segments, new technologies have developed. The use of electric storage devices, such as batteries, has been discussed in dockets before the Public Utility Commission of Texas (PUC), power generation companies, and transmission and distribution utilities. To provide the PUC with legislative guidance regarding the ownership and deployment of battery storage devices in the uniquely structured ERCOT market, C.S.H.B. 1672 seeks to set out contract guidelines that would allow for these devices to also be used for the purpose of ensuring reliable transmission to customers.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 2 of this bill.

ANALYSIS

C.S.H.B. 1672 amends the Utilities Code to revise the applicability of provisions of the Public Utility Regulatory Act governing electric energy storage by doing the following:

- making those provisions applicable only to the ownership or operation of electric energy storage equipment or facilities in the ERCOT power region that are intended for certain purposes; and
- including providing reliable delivery of electric energy to distribution customers among those purposes.

C.S.H.B. 1672 authorizes a transmission and distribution utility that has received prior approval from the Public Utility Commission of Texas (PUC) to contract with a power generation company to provide electric energy from an electric energy storage facility to ensure reliable service to distribution customers. With respect to such a contract, the bill does the following:

- requires the utility to issue a request for proposals for use of an electric energy storage facility to meet the utility's reliability needs prior to entering into a contract;
- conditions a utility's authority to enter into a contract on the use of the storage facility being more cost-effective than construction or modification of traditional distribution facilities;
- prohibits the utility from entering into a contract that reserves an amount of capacity exceeding the amount of capacity required to ensure reliable service to the utility's customers; and

- provides that the contract must require the power generation company that owns or operates the storage facility to reimburse the utility for the cost of an administrative penalty assessed against the utility for a violation caused by the facility's failure to meet the requirements of the agreement.

The bill prohibits the PUC from authorizing ownership of a storage facility by a utility.

C.S.H.B. 1672 establishes that a power generation company subject to a contract with a transmission and distribution utility may sell electric energy or ancillary services through use of their electric energy storage facility only to the extent that the company reserves capacity as required by the contract. The bill prohibits the power generation company from discharging the facility to satisfy the contract's requirements unless directed by the utility.

C.S.H.B. 1672 sets out provisions relating to the consideration of a contract between a transmission and distribution utility and a power generation company in establishing the utility's rates. The bill caps at 100 megawatts the total amount of electric energy storage capacity reserved by such contracts and requires the PUC by rule to establish the maximum amount of electric energy storage capacity allotted to each utility. The bill requires the PUC to adopt rules as necessary to implement the bill's provisions governing contracts for electric energy storage and establish criteria for approving such contracts.

EFFECTIVE DATE

September 1, 2021.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1672 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute increases the cap set by the introduced version on the total amount of electric energy storage capacity reserved by a contract between a transmission and distribution utility and a power generation company to ensure reliable service to distribution customers from 40 megawatts to 100 megawatts.