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By:  Reynolds H.B. No. 2687

A BILL TO BE ENTITLED

AN ACT

relating to the prevention of power blackouts.

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

SECTION 1.  Subchapter D, Chapter 39, Utilities Code, is amended by adding Section 39.159 to read as follows:

Sec. 39.159.  ASSURING RELIABILITY IN THE ERCOT POWER REGION. (a) The commission by rule shall require a power generation company operating in the ERCOT power region to:

(1)  weatherize the company's generation facilities and associated equipment on an annual basis so that the facilities and equipment are able to operate in extreme cold and heat; and

(2)  submit annual weatherization plans to the commission and the independent organization certified under Section 39.151 for the ERCOT power region.

(b)  The rules adopted under Subsection (a) must require weatherization sufficient to withstand the extreme weather events in Texas in February 2011, August 2011, and February 2021.

(c)  The commission shall consider standards recommended by federal agencies for weatherization when adopting rules under Subsection (a).

(d)  The commission may:

(1)  inspect the generation facilities and associated equipment of a power generation company for compliance with the rules adopted under Subsection (a); and

(2)  require a power generation company to take an action included in the company's annual weatherization plan.

(e)  If the commission or independent organization certified under Section 39.151 for the ERCOT power region determines that changes in the amounts of existing ancillary service obligations required by load serving entities are needed:

(1)  the commission by rule may address the imbalance; and

(2)  the independent organization may make changes to its ancillary service obligations through a stakeholder process to address the imbalance.

(f)  The commission by rule shall establish a process for obtaining emergency response services in addition to ancillary services as appropriate to prevent rolling blackout conditions caused by shortages of supply in the ERCOT power region. The rules must include:

(1)  parameters for estimating the amount of emergency response service capacity necessary to prevent blackout conditions; and

(2)  mechanisms for equitably sharing the costs of:

(A)  contracting for reserve capacity to be available; and

(B)  power provided to prevent blackout conditions.

(g)  The commission shall ensure that the total cost for ensuring the emergency response services does not exceed $100 million annually.

(h)  In accordance with rules adopted under Subsection (f), the independent organization certified under Section 39.151 for the ERCOT power region shall contract with qualified loads, electric storage companies, and power generation companies, including aggregation of loads and generators, for a defined amount of emergency response service capacity the organization may call on to ensure that power shortages or demand spikes do not create a need for rolling blackouts.

(i)  Before the independent organization certified under Section 39.151 for the ERCOT power region calls on the emergency response service capacity to prevent rolling blackouts, the organization shall use all market sources of power, including electric energy storage and demand reduction, in accordance with commission rules adopted under this section.

SECTION 2.  Subchapter Z, Chapter 39, Utilities Code, is amended by adding Section 39.9053 to read as follows:

Sec. 39.9053.  DEMAND RESPONSE IN ERCOT POWER REGION. (a) In this section:

(1)  "Demand response" means changes in electric usage by customers from their normal consumption patterns in response to:

(A)  changes in the price of electricity use over time; or

(B)  incentive payments designed to induce lower electricity use at times of high wholesale market prices or when the system reliability is jeopardized.

(2)  "Demand response provider" means a competitive energy services provider that aggregates customer load reduction capabilities, including reliability demand response capability, and offers those capabilities into an electricity market or program.

(3)  "Reliability demand response" means demand response to be dispatched by an independent system operator or a distribution utility in response to an electric grid reliability issue.

(b)  The legislature finds that electricity markets function most efficiently when supply side and demand side resources both contribute to the adequacy of the electric system. The legislature also finds that the ERCOT power region has not yet achieved its potential for demand response, and, therefore, it is the policy of this state to promote the development of demand response to its maximum potential and to eliminate unnecessary barriers to demand response participation in the ERCOT power region.

(c)  The commission by rule shall:

(1)  require the independent organization certified under Section 39.151 for the ERCOT power region to provide the commission not less frequently than December 1 of each odd-numbered year with an analysis of the potential demand response opportunity and penetration in the ERCOT power region;

(2)  promote development of demand response participation by customers in all customer classes;

(3)  remove barriers to demand response participation for demand response providers and for customers in all customer classes;

(4)  ensure that customers in all customer classes have the option to contract for participation in demand response either directly with one or more demand response providers, including retail electric providers, with scheduling entities qualified by the independent system operator, or with a combination of entities consisting of the independent system operator and one or more demand response providers;

(5)  establish and encourage markets, products, programs, or services for reliability demand response and other forms of demand response in wholesale and retail markets; and

(6)  provide opportunities for demand response providers and customers to participate in wholesale energy markets and ancillary services markets on a comparable basis with other resources, while accommodating differences in operational capabilities of various customer loads among customer classes, including differences related to availability, dispatch notification timelines, curtailment response times, ramp rates, curtailment duration, and times required to return to service following an outage.

SECTION 3.  The Public Utility Commission of Texas shall adopt rules as necessary to implement Section 39.9053, Utilities Code, as added by this Act, not later than May 1, 2022.

SECTION 4.  (a) The Public Utility Commission of Texas shall work with the independent organization certified under Section 39.151, Utilities Code, for the ERCOT power region to:

(1)  assess the structure and amounts of existing ancillary service obligations required by load serving entities; and

(2)  consider changes that may be required to improve reliability of the electric grid system, including reducing the need for rolling blackouts in extreme weather.

(b)  In conducting the analysis under Subsection (a) of this section, the commission and independent organization must seek stakeholder input and consider all generation resources, including distributed generation, electric storage, demand response, energy efficiency, and power generation.

SECTION 5.  This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2021.