

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

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

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

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

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

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

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

20           (2) mechanisms for equitably sharing the costs of:

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

23                   (B) power provided to prevent blackout  
24 conditions.

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

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

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

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

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

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

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

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

26           (2) "Demand response provider" means a competitive  
27 energy services provider that aggregates customer load reduction

1 capabilities, including reliability demand response capability,  
2 and offers those capabilities into an electricity market or  
3 program.

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

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

16 (c) The commission by rule shall:

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

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

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

27 (4) ensure that customers in all customer classes have

1 the option to contract for participation in demand response either  
2 directly with one or more demand response providers, including  
3 retail electric providers, with scheduling entities qualified by  
4 the independent system operator, or with a combination of entities  
5 consisting of the independent system operator and one or more  
6 demand response providers;

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

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

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

22           SECTION 4. (a) The Public Utility Commission of Texas shall  
23 work with the independent organization certified under Section  
24 [39.151](#), Utilities Code, for the ERCOT power region to:

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

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

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

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