

Amend CSHB 1500 (senate committee printing) by adding the following appropriately numbered SECTIONS to the bill and renumbering subsequent SECTIONS of the bill accordingly:

SECTION ____ . Section 31.002, Utilities Code, is amended by adding Subdivisions (2-a) and (4-c) and amending Subdivision (10) to read as follows:

(2-a) "Aggregated distributed energy resource" means a group of distributed energy resources joined together to be operated as a single distributed energy resource, where each individual resource in the aggregation produces not more than 1.5 megawatts of electricity, subject to an increase or decrease by commission rule if the commission determines that a different capacity size limit is appropriate and does not adversely affect the ERCOT power region or distribution system reliability.

(4-c) "Distributed energy resource" means a source of electricity connected at a voltage less than 60 kilovolts, including electric energy storage, distributed generation, distributed natural gas generation, or electric vehicles that provide electricity onto the distribution system. The term does not include a facility that provides temporary emergency electric energy under Section 39.918.

(10) "Power generation company" means a person~~including a person who owns or operates a distributed natural gas generation facility,~~ that:

(A) generates electricity that is intended to be sold at wholesale, including the owner or operator of electric energy storage equipment or facilities to which Subchapter E, Chapter 35, applies;

(B) does not own a transmission or distribution facility in this state other than an essential interconnecting facility, a facility not dedicated to public use, or a facility otherwise excluded from the definition of "electric utility" under this section; and

(C) does not have a certificated service area, although its affiliated electric utility or transmission and distribution utility may have a certificated service area.

SECTION ____ . Subchapter H, Chapter 39, Utilities Code, is

amended by adding Section 39.3515 to read as follows:

Sec. 39.3515. REGISTRATION OF DISTRIBUTED ENERGY RESOURCES. (a) An owner or operator of a distributed energy resource may provide energy or ancillary services in the wholesale market in the ERCOT power region through generating electricity and providing that electricity onto a distribution system only if:

(1) the owner or operator is registered with the commission as a power generation company under Section 39.351 and authorized by the independent organization certified under Section 39.151 for the ERCOT power region; or

(2) the distributed energy resource:

(A) is part of an aggregated distributed energy resource that is included in the registration of a power generation company under Section 39.351 and the independent organization certified under Section 39.151 for the ERCOT power region; and

(B) has complied with the interconnection requirements of the interconnecting transmission and distribution utility.

(b) The commission may establish simplified filing requirements to facilitate the registration of aggregated distributed energy resources. The filing requirements must require the registrant to disclose the name of the power generation company that operates the aggregated distributed energy resource.

(c) Notwithstanding any other provision of this chapter, a facility described by Section 39.914 or 39.916 may not be aggregated unless the facility is interconnected and operated in parallel with the distribution system, and:

(1) electricity from the facility provides energy or ancillary services in the wholesale market in the ERCOT power region in a manner described by this section; or

(2) the estimated annual amount of electricity to be produced by the facility is more than the retail electric customer's estimated annual electricity consumption at the time of the facility's installation or the actual amount of electricity produced by the facility was more than the retail electric customer's actual electricity consumption in the year prior to the facility's installation.

(d) The commission by rule shall:

(1) authorize the registrations described by Subsection (a); and

(2) adopt procedures for the creation of aggregated distributed energy resources.

SECTION _____. Chapter 39, Utilities Code, is amended by adding Subchapter O to read as follows:

SUBCHAPTER O. INTERCONNECTION OF DISTRIBUTED ENERGY RESOURCES

Sec. 39.701. METERING EQUIPMENT AND INFORMATION. An interconnecting transmission and distribution utility is not required to provide an owner or operator of a distributed energy resource access to the utility's meter equipment if essential metering information is made available by the utility.

Sec. 39.702. INTEGRATION AND COST RECOVERY. (a) The commission by rule shall establish for the ERCOT power region:

(1) requirements for the dispatchability, reliability, and other characteristics of each type or classification of distributed energy resource;

(2) appropriate disclosure requirements and other customer protections for residential and small commercial customers of providers of aggregated distributed energy services;

(3) information an owner or operator of a distributed energy resource must provide to the interconnecting transmission and distribution utility to ensure the resource will not adversely affect the transmission or distribution system;

(4) interconnection guidelines that address:

(A) the determination of whether a given interconnection or combination of interconnections would exceed a transmission and distribution utility's system capacity in a particular location;

(B) considerations for feeder locations related to distributed energy resources;

(C) considerations of the size or capacity of a distributed energy resource;

(D) the assessment by the interconnecting transmission and distribution utility of potential impacts to other customers in the area of the distributed energy resource; and

(E) other operating parameters necessary for the transmission and distribution utility's reliable operation of its transmission and distribution system;

(5) a methodology for the appropriate allocation and recovery of the transmission and distribution utility's costs to interconnect a distributed energy resource; and

(6) requirements for the independent organization certified under Section 39.151 for the ERCOT power region to report to the commission periodically:

(A) the categories and generation levels of distributed energy resources allowed to participate in the ERCOT wholesale market;

(B) the categories and megawatt levels of aggregated distributed energy resources allowed to participate in the ERCOT wholesale market;

(C) performance metrics for distributed energy resources allowed to participate in the ERCOT wholesale market; and

(D) other information the commission may require.

(b) The commission shall authorize a transmission and distribution utility to:

(1) defer for recovery in a later ratemaking proceeding the incremental operations and maintenance expenses, or other expenses, and the return, not otherwise recovered in a rate proceeding, associated with the installation, modification, upgrade, or maintenance of its transmission or distribution facilities required by an interconnection with a distributed energy resource; and

(2) request recovery of the costs associated with an interconnection with a distributed energy resource, including any deferred expenses, through a proceeding under Section 35.004 or 36.210 or in another ratemaking proceeding regardless of whether the utility first requested recovery in a base-rate proceeding.

(c) Facilities required by an interconnection with a distributed energy resource are considered used and useful in providing service to the public and are prudent and includable in the rate base, regardless of the extent of the actual use of the

facilities.

(d) This subchapter does not:

(1) require or authorize a distribution service provider to procure distributed energy resource services to enable the operation of the distribution system;

(2) require a distribution service provider to disclose to any third party, except as required by the independent system operator, the provider's system planning information, studies, models, critical infrastructure information, or other confidential information;

(3) diminish a distribution service provider's rights or obligations to own or operate its distribution system and provide electric delivery service to retail customers in the provider's certificated service area;

(4) obligate a distribution service provider to interconnect a distributed energy resource with a capacity equal to or greater than 10 megawatts; or

(5) prohibit an interconnecting distribution service provider from shedding a distributed energy resource, or otherwise obligate an interconnecting distribution service provider to provide preferential treatment to feeders with distributed energy resources or prevent a transmission and distribution utility from fulfilling its load shedding obligations during an involuntary load shedding event initiated by the independent system operator or a planned or unplanned outage of the distribution system.

Sec. 39.703. LIABILITY. An interconnecting transmission and distribution utility or retail electric provider providing service to a distributed energy resource to which this subchapter applies is not liable for:

(1) a violation of reliability or service metrics caused by distributed energy resource operations that violate its interconnection agreement; or

(2) a distributed energy resource's inability or failure to provide services that violate its interconnection agreement or a penalty for such inability or failure.

SECTION _____. (a) This section takes effect only if the Act of the 88th Legislature, Regular Session, 2023, relating to

nonsubstantive additions to and corrections in enacted codes becomes law.

(b) Subchapter Z, Chapter 39, Utilities Code, is amended by adding Section 39.9166 to read as follows:

Sec. 39.9166. DISTRIBUTED ENERGY RESOURCES. (a) A customer who purchases or leases a distributed energy resource or enters into a power purchase agreement for a distributed energy resource in the ERCOT power region is entitled to the information and disclosures required under Chapter 115, Business & Commerce Code, and is entitled to protection from fraudulent, unfair, misleading, or deceptive practices.

(b) An owner or operator of a distributed energy resource may provide energy or ancillary services in the wholesale market in the ERCOT power region.

(c) A person who owns or operates a distributed energy resource in an area in which customer choice has been introduced and is part of an aggregated distributed energy resource, or has not individually registered with the commission as its own power generation company, must sell the surplus electricity that is produced by the distributed energy resource and not consumed by the owner's premise to the retail electric provider that serves the premise's load at a value agreed to between the distributed energy resource owner and the retail electric provider that serves the premise's load. The value may be an agreed value based on the clearing price of energy or ancillary service at the time of day that the electricity is made available to the grid.

(d) A person who operates an aggregated distributed energy resource in an area in which customer choice has been introduced is subject to customer protection rules established by the commission under Chapter 17 and this chapter.

(e) The independent organization certified under Section 39.151 for the ERCOT power region shall adopt procedures to ensure that the amount of electricity purchased from a distributed energy resource owner under this section is accounted for when settling the total load served by the retail electric provider that serves that premise owner's load.

(f) A distributed energy resource owner that requests net

metering services for purposes of this section must have metering devices capable of providing measurements consistent with the independent organization's settlement requirements.

(g) A transmission and distribution utility may provide to customers educational information regarding the technical requirements for the interconnection of distributed energy resources to the distribution system. The provision of information under this subsection is not considered a competitive energy service.

(h) This section does not apply to a purchase or agreement entered into under Section 39.914 or 39.916.

SECTION _____. (a) This section takes effect only if the Act of the 88th Legislature, Regular Session, 2023, relating to nonsubstantive additions to and corrections in enacted codes does not become law.

(b) Subchapter Z, Chapter 39, Utilities Code, is amended by adding Section 39.9166 to read as follows:

Sec. 39.9166. DISTRIBUTED ENERGY RESOURCES. (a) A customer who purchases or leases a distributed energy resource or enters into a power purchase agreement for a distributed energy resource in the ERCOT power region is entitled to the information and disclosures required under Chapter 113, Business & Commerce Code, as added by Chapter 561 (S.B. 398), Acts of the 87th Legislature, Regular Session, 2021, and is entitled to protection from fraudulent, unfair, misleading, or deceptive practices.

(b) An owner or operator of a distributed energy resource may provide energy or ancillary services in the wholesale market in the ERCOT power region.

(c) A person who owns or operates a distributed energy resource in an area in which customer choice has been introduced and is part of an aggregated distributed energy resource, or has not individually registered with the commission as its own power generation company, must sell the surplus electricity that is produced by the distributed energy resource and not consumed by the owner's premise to the retail electric provider that serves the premise's load at a value agreed to between the distributed energy resource owner and the retail electric provider that serves the

premise's load. The value may be an agreed value based on the clearing price of energy or ancillary service at the time of day that the electricity is made available to the grid.

(d) A person who operates an aggregated distributed energy resource in an area in which customer choice has been introduced is subject to customer protection rules established by the commission under Chapter 17 and this chapter.

(e) The independent organization certified under Section 39.151 for the ERCOT power region shall adopt procedures to ensure that the amount of electricity purchased from a distributed energy resource owner under this section is accounted for when settling the total load served by the retail electric provider that serves that premise owner's load.

(f) A distributed energy resource owner that requests net metering services for purposes of this section must have metering devices capable of providing measurements consistent with the independent organization's settlement requirements.

(g) A transmission and distribution utility may provide to customers educational information regarding the technical requirements for the interconnection of distribute energy resources to the distribution system. The provision of information under this subsection is not considered a competitive energy service.

(h) This section does not apply to a purchase or agreement entered into under Section 39.914 or 39.916.

SECTION _____. For the purposes of Section 39.3515(c)(2), Utilities Code, as added by this Act, a facility described by Section 39.914 or 39.916, Utilities Code, may be registered as an aggregated distributed energy resource with the Public Utility Commission of Texas if:

(1) the estimated annual amount of electricity to be produced by the facility was more than the retail electric customer's estimated annual electricity consumption at the time of installation, if the facility was installed not more than a year before the effective date of this Act; or

(2) the actual amount of electricity produced by the facility was more than the retail electric customer's actual

electricity consumption in the year prior to the facility's installation, if the facility was installed more than a year before the effective date of this Act.

SECTION _____. As soon as practicable after the effective date of this Act, the Public Utility Commission of Texas shall adopt rules necessary to implement the changes in law made by this Act in amending Section 31.002, Utilities Code, and adding Subchapter O, Chapter 39, and Sections 39.3515 and 39.9166, Utilities Code.