

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1699
By: Johnson
Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Distributed energy resources (DERs) are starting to gain popularity throughout Texas. Since DERs include a wide range of technologies, it is important that details regarding their inclusion in the ERCOT market be decided and implemented carefully and without destabilizing the current energy system.

In 2022, the PUC and ERCOT approved a pilot project which enables the aggregation of DERs for participation in ancillary services and wholesale energy markets for the ERCOT region. Per phase 1 of the pilot project, load serving entities (municipalities, electric cooperative, and retail electric providers (REPs)) can aggregate their retail customers' DERs that are <1MW. This means that an aggregate distributed energy resource (ADER) can combine multiple homes and business solar system, batteries, generators, HVACs, and other devices and respond to ERCOT dispatch instructions.

S.B. 1699 provides that the Public Utility Commission, the entity that regulates the state's electric utilities, should establish rules and registration requirements for the aggregation of distributed energy resources. This allows for retail electric providers to aggregate distributed energy resources and establishes that they should ensure compliance for any entities they pay for distributed energy resources. Under S.B. 1699, anyone who is part of a DER aggregation will not need to register as a power generation company.

S.B. 1699 will allow for DER owners and aggregators to become part of the grid system while providing consistency for grid regulators seeking to evaluate and track this growing repository of energy in the state.

Key Provisions:

- Modifies Section 31.002 of the Utilities Code to allow retail electric providers to aggregate distributed energy resources.
- Modifies Section 39.351 to include the carve-out that a person may generate electricity if they are aggregating distributed energy resources.
- Adds Section 39.3515 to require that aggregators of distributed energy resources must comply with PUC rules, guidelines, and registration requirements and Chapter 17 customer protection statutes that apply to distributed energy resources.
- Under Section 39.3515, aggregators must ensure compliance of subcontractors, agents, or other entities they compensate for distributed energy resource activities on their behalf.
- Section 39.3515 also establishes that the PUC will establish rules and registration requirements for the aggregation of distributed energy resources.

Committee Substitute:

- Clarifies existing language by ensuring the exemption from power generation company registration applies to both DER aggregators and owners.
- PUC's existing consumer protections would also apply to DER customers, subcontractors, and agents.

C.S.S.B. 1699 amends current law relating to the participation of aggregated distributed energy resources in the ERCOT market.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 3 (Section 39.3515, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 31.002(17), Utilities Code, to redefine "retail electric provider."

SECTION 2. Amends Section 39.351, Utilities Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Prohibits a person from generating electricity unless certain requirements are met, including unless the electricity is generated as part of a registered aggregate distributed energy resource under Section 39.3515. Makes nonsubstantive changes.

(a-1) Creates this subsection from existing text.

SECTION 3. Amends Subchapter H, Chapter 39, Utilities Code, by adding Section 39.3515, as follows:

Sec. 39.3515. AGGREGATE DISTRIBUTED ENERGY RESOURCES. (a) Provides that a person who aggregates distributed energy resources:

(1) is not required to register as a power generation company to aggregate the resources;

(2) is required to comply with rules, guidelines, and registration requirements established by the Public Utility Commission of Texas (PUC) and by Chapter 17 (Customer Protection) and Chapter 39 (Restructuring of Electric Utility Industry); and

(3) remains accountable for compliance with the applicable statutes and rules by a subcontractor, an agent, or any other entity compensated by the person for activities conducted on the person's behalf.

(b) Authorizes the PUC to establish rules and registration requirements for the aggregation of distributed energy resources.

SECTION 4. Effective date: September 1, 2023.