

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1751
By: Kolkhorst et al.
Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

As the state continues to improve the electric grid reliability and put measures in place to ensure reliability for the future, concerns still exist about the unregistered load usage by virtual currency mining facilities.

During the 87th Interim the Senate Business and Commerce Committee studied two charges related to this issue:

1. Study current state and federal regulations surrounding blockchain and virtual currencies. Examine how these technologies impact industries such as banking, business, and electricity.
2. Assess the electricity market in Texas. Study issues impacting the Texas electric grid, including weather preparedness, transmission planning, maintenance scheduling, and the natural gas supply chain.

During a particular hearing, the committee heard testimony regarding the fast growth of load. In particular, the testimony indicated growth of the load from virtual currency mining could reach an additional 37 gigawatts. Currently, there is no requirement for large flexible loads to register with ERCOT. Without registration, grid management is more difficult to accurately project, which threatens overall grid reliability.

Key Provisions:

- It requires large flexible loads with a load larger than 10 megawatts to register with ERCOT. Because 10 megawatts is considered utility scale usage for generation facilities, this same standard was set as the floor for registration of large flexible loads.
- It bars virtual currency mining from tax abatements. Given that large scale growth in virtual currency mining is already projected to occur in the state, taxpayer-funded incentives are not necessary to subsidize growth of this industry.
- It restricts the participation of virtual currency mining as demand response programs. This provision ensures that these demand response programs can be used by a broader scope of loads.

Committee Substitute Changes

- The substitute more narrowly tailors required registration to facilities that are computing loads.
- Specifies that the operator of the large flexible load must register in order to ensure avoid potential confusion that a utility must also register.

C.S.S.B. 1751 amends current law relating to the regulation and tax treatment of facilities in the ERCOT power region that demand a large load of interruptible power.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 2 (Section 39.360, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter D, Chapter 39, Utilities Code, by adding Section 39.1591, as follows:

Sec. 39.1591. VIRTUAL CURRENCY MINING AS DEMAND RESPONSE. (a) Defines "virtual currency" and "virtual currency mining facility."

(b) Requires the Public Utility Commission of Texas (PUC) to require the independent organization certified under Section 39.151 (Essential Organizations) for the Electric Reliability Council of Texas (ERCOT) power region to ensure that any demand response program operated by the independent organization to respond to emergencies that provides compensation for load reductions is open to participation by a virtual currency mining facility that is registered as a large flexible load under Section 39.360 only if the anticipated demand provided under Section 39.360(b) for all facilities of that type participating in the program is less than 10 percent of the total load required by all loads in the program.

SECTION 2. Amends Subchapter H, Chapter 39, Utilities Code, by adding Section 39.360, as follows:

Sec. 39.360. LARGE FLEXIBLE LOAD REGISTRATION. (a) Requires the PUC by rule to require a person operating a facility who enters into an agreement for retail electric service in the ERCOT power region to register the facility receiving service as a large flexible load under this section if:

(1) the person anticipates that the facility will require a total load of more than 10 megawatts before the second anniversary of the date the agreement begins;

(2) the facility load is interruptible; and

(3) the facility is a computing load.

(b) Requires that the rules require a person described by Subsection (a) to:

(1) register the large flexible load with the PUC not later than one business day after the date the agreement begins; and

(2) provide the PUC with:

(A) the location of the facility; and

(B) the anticipated demand from the facility for the five-year period beginning on the date of the registration.

SECTION 3. Amends Subchapter A, Chapter 312, Tax Code, by adding Section 312.0022, as follows:

Sec. 312.0022. PROHIBITION ON ABATEMENT OF TAXES ON CERTAIN VIRTUAL CURRENCY MINING PROPERTY. (a) Defines "virtual currency" and "virtual currency mining facility."

(b) Provides that this section applies only to a virtual currency mining facility registered as a large flexible load under Section 39.360, Utilities Code.

(c) Prohibits the governing body of a taxing unit from entering into an agreement under Chapter 312 (Property Redevelopment and Tax Abatement Act) to exempt from taxation a portion of the value of real property on which a virtual currency mining facility is located or is planned to be located during the term of the

agreement, or of tangible personal property that is located or is planned to be located on the real property during that term.

SECTION 4. Makes application of Section 312.0022, Tax Code, as added by this Act, prospective.

SECTION 5. Effective date: September 1, 2023.