88R15918 JXC-D

By:  Schwertner, King S.B. No. 7

A BILL TO BE ENTITLED

AN ACT

relating to the reliability of the ERCOT power grid.

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

SECTION 1.  The heading to Section 39.159, Utilities Code, as added by Chapter 426 (S.B. 3), Acts of the 87th Legislature, Regular Session, 2021, is amended to read as follows:

Sec. 39.159.  POWER REGION RELIABILITY AND DISPATCHABLE GENERATION.

SECTION 2.  Section 39.159, Utilities Code, as added by Chapter 426 (S.B. 3), Acts of the 87th Legislature, Regular Session, 2021, is amended by amending Subsection (b) and adding Subsections (b-1) and (d) to read as follows:

(b)  The commission shall ensure that the independent organization certified under Section 39.151 for the ERCOT power region:

(1)  establishes requirements to meet the reliability needs of the power region;

(2)  periodically, but at least annually, determines the quantity and characteristics of ancillary or reliability services necessary to ensure appropriate reliability during extreme heat and extreme cold weather conditions and during times of low non-dispatchable power production in the power region;

(3)  procures ancillary or reliability services on a competitive basis to ensure appropriate reliability during extreme heat and extreme cold weather conditions and during times of low non-dispatchable power production in the power region;

(4)  develops appropriate qualification and performance requirements for providing services under Subdivision (3), including appropriate penalties for failure to provide the services; [~~and~~]

(5)  sizes the services procured under Subdivision (3) to prevent prolonged rotating outages due to net load variability in high demand and low supply scenarios; and

(6)  allocates the cost of providing ancillary services and reliability services procured under this section on an annual basis among dispatchable generation facilities, non-dispatchable generation facilities, and load serving entities in proportion to their contribution to net load variability over the highest 100 hours of net load in the preceding year as follows:

(A)  for dispatchable generation facilities, the difference between the mean of the highest quartile forced outage rate for the facility and the mean forced outage rate of all dispatchable generation facilities in the ERCOT power region;

(B)  for non-dispatchable generation facilities, the difference between the mean of the lowest quartile generation for each non-dispatchable generation facility, divided by the installed capacity of that facility, and the mean generation of all non-dispatchable generation facilities in the ERCOT power region, divided by the total installed capacity of all non-dispatchable generation facilities in the ERCOT power region; and

(C)  for load serving entities, the difference between the mean of the highest quartile of each entity's metered load and the mean of each entity's metered load.

(b-1)  Subsection (b)(6) applies only to a generation facility or load serving entity that has participated in the ERCOT market for at least one year.

(d)  The commission shall require the independent organization certified under Section 39.151 for the ERCOT power region to develop an ancillary services program that requires load serving entities to purchase dispatchable reliability reserve services on a day-ahead basis to account for market uncertainty. The program must provide payments only to generation resources that are not providing other ancillary services. The commission must require the independent organization to:

(1)  determine the quantity of services necessary based on historical variations in generation availability for each season based on a targeted reliability standard or goal, including renewable intermittency and forced outage rates; and

(2)  develop criteria for resource participation that require a resource to:

(A)  have a runtime of at least four hours;

(B)  be available not less than two hours after being called on for deployment; and

(C)  have the dispatchable flexibility to address inter-hour operational challenges.

SECTION 3.  Subchapter D, Chapter 39, Utilities Code, is amended by adding Section 39.1591 to read as follows:

Sec. 39.1591.  REPORT ON DISPATCHABLE AND NON-DISPATCHABLE GENERATION FACILITIES. The commission shall file an annual report with the legislature that:

(1)  includes:

(A)  the estimated annual costs required to be incurred under this subchapter by non-dispatchable generators to guarantee that a firm amount of electric energy will be provided for the ERCOT power grid; and

(B)  the cumulative annual transmission costs that have been incurred in the ERCOT market to facilitate the transmission of non-dispatchable electricity to load;

(2)  documents the status of the implementation of this subchapter, including whether the rules and protocols adopted to implement this subchapter have materially improved the reliability, resilience, and transparency of the electricity market; and

(3)  includes recommendations for any additional legislative measures needed to empower the commission to implement market reforms to ensure that market signals are adequate to preserve existing dispatchable generation and incentivize the construction of new dispatchable generation sufficient to maintain reliability standards for at least five years after the date of the report.

SECTION 4.  (a)  Not later than September 1, 2024, the Public Utility Commission of Texas shall implement the changes in law made by this Act to Section 39.159(b), Utilities Code, as added by Chapter 426 (S.B. 3), Acts of the 87th Legislature, Regular Session, 2021.

(b)  Not later than December 1, 2024, the Public Utility Commission of Texas shall implement the changes in law made by this Act in Section 39.159(d), Utilities Code, as added by this Act.

(c)  The Public Utility Commission of Texas shall prepare the portion of the first report required by Section 39.1591(1), Utilities Code, as added by this Act, not later than December 1, 2023.

(d)  The Public Utility Commission of Texas shall prepare the portions of the first report required by Sections 39.1591(2) and (3), Utilities Code, as added by this Act, not later than December 1, 2024.

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, 2023.