

By: Schwertner, King

S.B. No. 7

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the reliability of the ERCOT power grid.

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

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

7 Sec. 39.159. POWER REGION RELIABILITY AND DISPATCHABLE
8 GENERATION.

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

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

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

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

23 (3) procures ancillary or reliability services on a
24 competitive basis to ensure appropriate reliability during extreme

1 heat and extreme cold weather conditions and during times of low
2 non-dispatchable power production in the power region;

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

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

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

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

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

27 (C) for load serving entities, the difference

1 between the mean of the highest quartile of each entity's metered
2 load and the mean of each entity's metered load.

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

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

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

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

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

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

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

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

27 Sec. 39.1591. REPORT ON DISPATCHABLE AND NON-DISPATCHABLE

1 GENERATION FACILITIES. The commission shall file an annual report
2 with the legislature that:

3 (1) includes:

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

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

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

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

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

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

4 (c) The Public Utility Commission of Texas shall prepare the
5 portion of the first report required by Section 39.1591(1),
6 Utilities Code, as added by this Act, not later than December 1,
7 2023.

8 (d) The Public Utility Commission of Texas shall prepare the
9 portions of the first report required by Sections 39.1591(2) and
10 (3), Utilities Code, as added by this Act, not later than December
11 1, 2024.

12 SECTION 5. This Act takes effect immediately if it receives
13 a vote of two-thirds of all the members elected to each house, as
14 provided by Section 39, Article III, Texas Constitution. If this
15 Act does not receive the vote necessary for immediate effect, this
16 Act takes effect September 1, 2023.