

By: King, et al.  
(Slawson)

S.B. No. 1287

A BILL TO BE ENTITLED

AN ACT

relating to the cost of interconnecting certain electric generation facilities with the ERCOT transmission system.

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

SECTION 1. Section 35.004, Utilities Code, is amended by amending Subsection (d) and adding Subsections (d-1), (d-2), and (d-3) to read as follows:

(d) The commission shall price wholesale transmission services within ERCOT based on the postage stamp method of pricing under which a transmission-owning utility's rate is based on the ERCOT utilities' combined annual costs of transmission, other than costs described by Subsections (d-2) and (d-3), divided by the total demand placed on the combined transmission systems of all such transmission-owning utilities within a power region. An electric utility subject to the freeze period imposed by Section 39.052 may treat transmission costs in excess of transmission revenues during the freeze period as an expense for purposes of determining annual costs in the annual report filed under Section 39.257. Notwithstanding Section 36.201, the commission may approve wholesale rates that may be periodically adjusted to ensure timely recovery of transmission investment. Notwithstanding Section 36.054(a), if the commission determines that conditions warrant the action, the commission may authorize the inclusion of construction work in progress in the rate base for transmission investment

required by the commission under Section 39.203(e).

(d-1) The commission by rule shall establish a reasonable allowance to be applied on a per megawatt basis for costs incurred to interconnect generation resources directly with the ERCOT transmission system at transmission voltage, including costs of utility interconnection facilities. The allowance must:

(1) take into account:

(A) average historical dispatchable generation interconnection costs; and

(B) the reliability impact to the grid of the interconnecting resource and whether the interconnecting resource increases reliability or volatility in managing the grid; and

(2) be designed to lower costs to consumers and encourage owners of generation resources to locate the resources closer to load.

(d-2) Costs in excess of the allowance provided by Subsection (d-1) incurred to interconnect generation resources with the ERCOT transmission system, including costs of utility interconnection facilities, must be directly assigned to and collected from the generation resource interconnecting through the facilities.

(d-3) Not later than September 1 of every fifth year after 2023, the commission shall review and may adjust the allowance provided by Subsection (d-1) to account for inflation or supply chain issues.

SECTION 2. This Act takes effect September 1, 2023.