A BILL TO BE ENTITLED
AN ACT
relating to the cost of interconnecting certain electric generation and energy storage 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) and (d-2) 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 Subsection (d-2), 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 an allowance to be applied on a per megawatt basis for capital costs incurred to interconnect generation resources and electric energy storage resources described by Section 35.152(a) with the ERCOT transmission system, including costs of utility interconnection facilities and all necessary system upgrades. The allowance must:

(1) take into account average historical interconnection costs and system upgrade costs, other than transmission costs associated with Section 39.904(g); and

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

(d-2) Capital costs in excess of the allowance provided by Subsection (d-1) incurred to interconnect generation resources and electric energy storage resources described by Section 35.152(a) with the ERCOT transmission system, including costs of utility interconnection facilities and all necessary system upgrades, must be directly assigned to the generation resource or electric energy storage resource receiving interconnection service through the facilities.

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