

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**May 27, 2023**

**TO:** Honorable Dan Patrick, Lieutenant Governor, Senate  
Honorable Dade Phelan, Speaker of the House, House of Representatives

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB1500** by Holland (Relating to the continuation and functions of the Public Utility Commission of Texas and the Office of Public Utility Counsel, and the functions of the independent organization certified for the ERCOT power region; increasing an administrative penalty.), **Conference Committee Report**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1500, Conference Committee Report : a negative impact of (\$1,137,066) through the biennium ending August 31, 2025.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five- Year Impact:**

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$568,533)
2025	(\$568,533)
2026	(\$568,533)
2027	(\$368,533)
2028	(\$368,533)

**All Funds, Five-Year Impact:**

<i>Fiscal Year</i>	<i>Probable (Cost) from General Revenue Fund 1</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	(\$568,533)	3.0
2025	(\$568,533)	3.0
2026	(\$568,533)	3.0
2027	(\$368,533)	3.0
2028	(\$368,533)	3.0

## Fiscal Analysis

The bill would amend the Utilities Code to continue the functions of the Public Utility Commission of Texas, the Office of Public Utility Counsel, and the functions of the independent organization certified for the ERCOT power region until September 1, 2029.

The bill would allow the Public Utility Commission (PUC) to increase the maximum daily administrative penalty the agency may impose for a violation of a voluntary mitigation plan and requires PUC to review such plans at least once every two years. Voluntary mitigation plan violation penalties apply only after the effective date of the bill.

The bill would expand and clarify the Independent Market Monitor's (IMM) reporting to PUC and require PUC to report to the Legislature annually the number of instances the IMM reported potential market manipulation and other information as prescribed by the Legislature. PUC would be restricted from allowing the IMM from appearing, speaking, or providing analysis to the Legislature. ERCOT would also be prohibited from modifying the IMM's contract without majority approval by PUC

The bill would allow PUC to establish guardrails on the performance credit mechanism (PCM), including an annual cost cap of \$1 billion and requires PUC to direct ERCOT to procure dispatchable reliability reserve services (DRRS). A generator receiving credits through the PCM program is prohibited from decommissioning or removing from service any dispatchable electric generating facility while participating in PCM, unless it was after September 1, 2028, required by federal law, or alleviated significant financial hardship for the generator. PUC would adopt rules to implement this provision. PUC will define how ERCOT must calculate and allocate the cost of providing ancillary/reliability services, including requiring ERCOT to allocate on a semiannual basis.

The bill would establish the Grid Reliability Legislative Oversight Committee to oversee PUC's implementation of recent electric market legislation and will require retail electric providers (REPs) to annually report retail sales to PUC.

The bill would establish reliability requirements for generation facilities in the ERCOT power region and directs PUC to require ERCOT to enforce the requirements. PUC is required to direct ERCOT to perform an evaluation with input from ERCOT's Technical Advisory Committee (TAC) to examine whether allocating the costs of ancillary and reliability services would result in a net savings to consumers in the ERCOT region.

The bill would incorporate an instructional provision that requires PUC to require ERCOT to implement DRRS by December 1, 2024 and requires PUC to implement generator reliability requirements by December 1, 2027. PUC and ERCOT will be required to study the consumer costs associated with Senate Bill 3 from the 87th Regular Legislative Session and report to the Legislature by December 1, 2024, and study costs on alternatives to a single market clearing price and report to the Legislature by December 1, 2025.

The bill would require that when PUC gives a directive to ERCOT through a memorandum or a written order, it must be adopted by majority vote. The agency is also to engage in a contested case or rulemaking process to direct ERCOT to take an official action that will create a new cost or fee, increase an existing cost or fee, or impose significant operational obligations on an entity.

The bill would require PUC by rule to require a provider of electric generation service to provide ERCOT with the reason for unplanned service interruptions within a reasonable time after the interruption of the service has impacted generation availability. ERCOT is required to summarize the reasons for unplanned service interruptions in a publicly available report published on ERCOT's website by the third business day after the service was restored.

The bill would requires PUC under Section 35.004 to establish a reasonable allowance for costs incurred by transmission-owning utilities to interconnect generation resources to the ERCOT transmission grid. The allowance should take historical interconnection costs, potential to reduce consumer costs, and any other factors PUC considers reasonable into account. Any costs in excess of the allowance must be directly assigned to and collected from the generation resource. PUC must review and can adjust for inflation or supply chain issues every 5 years. PUC's first review can happen 5 years after adoption of the rules required to implement

section 35.004, which must happen within 180 days of effective date of this act. Section 35.004 is applicable to generators that execute a standard interconnection agreement with a transmission-owning utility after 12/31/2025.

The bill would require PUC to direct transmission and distribution utilities (TDUs) to perform a circuit segmentation study and submit a report to PUC by 2024. PUC is directed to review each study by 2025.

The bill is effective September 1, 2023.

### **Methodology**

Based on the analysis of the PUC, this estimate assumes that the agency would require \$200,000 in fiscal years 2024-2026 from General Revenue for contractor costs related to the reports and studies as required by the bill.

This estimate assumes that the PUC would require 3.0 additional full time equivalent (FTE) positions to handle increased rulemakings and contested cases associated with issuing directives to ERCOT.

An Attorney III (\$90,000 per year with estimated benefits of \$27,297) would be needed to assist in rulemaking and contested cases. An Economist III (\$90,000 per year with estimated benefits of \$27,297) would be needed to assist with rulemaking. An Administrative Law Judge I (\$95,000 per year with estimated benefits of \$28,814) to assist with contested cases. The annual cost to PUC for these costs would be \$368,533 per fiscal year in General Revenue.

### **Technology**

PUC estimate anticipates a technology impact of \$6,000 in start-up equipment for new FTEs.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas, 475 Office of Public Utility Counsel, 575 Texas Division of Emergency Management, 802 Parks and Wildlife Department, 808 Historical Commission

**LBB Staff:** JMc, SZ, GDZ, JBel, SMAT