

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

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

**May 23, 2023**

**TO:** Honorable Charles Schwertner, Chair, Senate Committee on Business & Commerce

**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.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1500, Committee Report 2nd House, Substituted : a negative impact of (\$750,000) 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>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2024	(\$250,000)
2025	(\$500,000)
2026	(\$500,000)
2027	\$0
2028	\$0

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

<i>Fiscal Year</i>	<b>Probable (Cost) from General Revenue Fund 1</b>
2024	(\$250,000)
2025	(\$500,000)
2026	(\$500,000)
2027	\$0
2028	\$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.

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). 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 requires PUC and ERCOT to study the consumer costs associated with ancillary services procured in accordance with last session's Senate Bill 3 and whether implementing an alternative to the single market clearing price would reduce costs.

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 is effective September 1, 2023.

## **Methodology**

Based on the analysis of the PUC, this estimate assumes that the agency would require \$250,000 in fiscal year 2024, and \$500,000 in fiscal year 2025 and 2026 for contractor costs related to the reports and studies required by the bill.

## **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

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