

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 4, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB6 by Schwertner (relating to the establishment of the Texas Energy Insurance Program and other funding mechanisms to support the construction and operation of electric generating facilities.), Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for SB6, Committee Report 1st House, Substituted : a negative impact of (\$1,438,582) through the biennium ending August 31, 2025.

There would be a positive, but indeterminate, state revenue increase due to increased charges to retail customers resulting from the added rate for reliability assets; however, as any rate increases are unknown, the fiscal impact to the state for this portion's of the bill's provisions cannot be estimated.

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	(\$719,291)
2025	(\$719,291)
2026	(\$719,291)
2027	(\$719,291)
2028	(\$719,291)

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	(\$719,291)	7.0
2025	(\$719,291)	7.0
2026	(\$719,291)	7.0
2027	(\$719,291)	7.0
2028	(\$719,291)	7.0

Fiscal Analysis

The bill establishes the Texas Energy Insurance Program and related funding mechanisms to support the construction and operation of electric generating facilities in Texas.

The bill would amend Section 31.002 to add Subsection (15-a) to define “reliability asset.”

The bill provides for "reliability assets" that are weatherized gas-fueled plants with on-site fuel storage located in the ERCOT power region and that are owned and operated by a certified entity for the purpose of providing dispatchable power.

The bill provides that the Public Utility Commission (PUC) may regulate the rates for reliability assets in the Texas Energy Insurance Program only to the extent set forth in the bill. The bill includes specific provisions regarding the PUC's determination of regulated rates that recognize the critical service the reliability assets provide to customers in the ERCOT region.

Additionally, the bill specifies the operating conditions under which reliability assets may be dispatched. The bill addresses the number of entities the Commission may certify as owning reliability assets, and the criteria for and the process of selecting the certified entities, including the financial-qualification standards and operating requirements.

This bill would establish the Texas Energy Insurance Program to support the construction of up to ten gigawatts worth of new backup generation facilities to be deployed in times of grid crisis and creates the Texas Energy Insurance Fund as a special fund outside the General Revenue fund to be used to provide low-cost loans for dispatchable generator maintenance and modernization. The bill would provide that the fund and its accounts are kept and held by the Texas Treasury Safekeeping Trust Company on behalf of the PUC.

The bill would direct PUC to set a nonbypassable customer rate that must be charged by transmission and distribution utilities, municipally owned utilities, and electric cooperatives to provide funding for the program, in the event there is not enough state funding available. Each entity collecting the rate would remit it to ERCOT, who would then remit the revenue to the Comptroller for deposit to the new fund. The Comptroller would make monthly disbursements, in amounts determined by PUC, to each certified participant in the program. The bill would allow PUC to use any money from the fund, without further appropriation, to offset amounts owed to certified participants on behalf of electric customers, and to provide interest-free loans for the maintenance or modernization of dispatchable electric generating facilities within the ERCOT power region.

The bill would create the Texas Energy Insurance Fund Advisory Committee to oversee the fund and subjects the Advisory Committee to the Sunset Act and abolishment on September 1, 2035 unless continued as provided by Chapter 325, Government Code.

This bill takes effect on the date on which the constitutional amendment (SJR1) proposed by the 88th Legislature, Regular Session, 2023, providing for the creation of the Texas energy insurance fund and the authorization of other funding mechanisms to support the construction and operation of electric generating facilities takes effect. If that amendment is not approved by the voters, this bill has no effect.

Methodology

PUC anticipates, and this estimate assumes, that the Commission will require 7.0 additional full time equivalent (FTE) positions to implement the provisions of the bill. An Attorney III (\$90,000 per year with estimated benefits of \$27,297) would be needed to manage the required rulemakings and contracts for loan agreements. Two Financial Examiners V (\$75,000 per year with estimated benefits of \$22,748) would be needed to determine the credit worthiness of applicants, current interest rates for loans, and will monitor the ongoing credit worthiness of contractors. Two Engineers III (\$75,000 per year with estimated benefits of \$22,748) would be needed to review applications, work with and review that the contractor meets the loan agreement buildout milestones, and managing the day to day interaction with the contractor. An Accountant IV (\$55,000 per year with estimated benefits of \$16,682) would be needed to administer the loan payback and reconciling with account in comptroller's office, work with contractors on their loans, and conduct cash flow forecasting.

Lastly, a Project Manager V (\$90,000 per year with estimated benefits of \$27,297) would be need to the entire project and coordinate among the 5-6 different divisions required to implement this bill.

Based on analysis by the Comptroller of Public Accounts there would be a positive, but indeterminate, revenue increase due to the added rate for reliability assets; however, as any rate increases are unknown, the fiscal impact to the state cannot be estimated.

Note: This legislation would create or recreate a dedicated account in the General Revenue Fund, create or recreate a fund either in, with, or outside of the Treasury, or dedicate or rededicate a revenue source. The Legislature consolidated funds into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has enacted a funds consolidation bill. The dedication included in this bill, unless created by a constitutional amendment, would be subject to funds consolidation review by the current Legislature.

Technology

The Public Utility Commission of Texas anticipates a technology impact of \$14,000 per year.

Local Government Impact

The fiscal implications of the bill cannot be determined.

Source Agencies: 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas

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