**BILL ANALYSIS**

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| Senate Research Center | C.S.S.B. 6 |
| 89R18726 JXC-F | By: King; Schwertner |
|  | Business & Commerce |
|  | 3/12/2025 |
|  | Committee Report (Substituted) |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The Electric Reliability Council of Texas (ERCOT) estimates a significant increase in the demand for electricity in Texas over the next five years. Specifically, ERCOT estimates additional load growth between 130-150 Gigawatts (GWs) by 2030. This amount is almost double ERCOT's peak load of 86 GWs in 2024. While this growth presents opportunity for the state of Texas, it must be managed to prevent reliability risks.

Over the interim, stakeholders came together to identify challenges related to large load growth. S.B. 6 is the culmination of an involved stakeholder process focused on solving these challenges and ensuring stability for the ERCOT grid.

S.B. 6 focuses on four main objectives: (1) ensuring transmission costs are properly allocated, (2) establishing grid reliability protection measures, (3) bringing transparency and credibility to load forecasting, and (4) protecting residential customers from outages by requiring large loads to share the load shed obligation during times of shortage.

To do so, the bill establishes a minimum transmission rate to be paid by loads served behind-the-meter that have on-site generation and orders the Public Utility Commission (PUC) to reevaluate the Four Coincident Peak (4CP) calculation method currently used for setting transmission rates. Additionally, the bill requires the PUC to approve an existing generator's removal of megawatts (MWs) from the ERCOT energy market. The bill also establishes standard criteria for the large load interconnection process to be applied across the state. Lastly, the bill requires large load customers served at transmission level to install equipment that allows the load to be curtailed during firm load shed.

(Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 6 amends current law relating to planning and infrastructure costs for large loads.

**RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 1 (Section 35.004, Utilities Code) and SECTION 2 (Section 37.0561, Utilities Code) of this bill.

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 35.004, Utilities Code, by adding Subsections (c-1) and (c-2), as follows:

(c-1) Requires the Public Utility Commission of Texas (PUC) by rule to ensure that a large load customer who is subject to the standards adopted under Section 37.0561 contributes to the recovery of the interconnecting electric utility's costs to interconnect the large load to the transmission system.

(c-2) Requires an electric cooperative or municipally owned utility that has not adopted customer choice to pass through to a large load customer who is subject to the standards adopted under Section 37.0561 the reasonable costs to interconnect the large load to the transmission system in a manner determined by the electric cooperative or municipally owned utility.

SECTION 2. Amends Subchapter B, Chapter 37, Utilities Code, by adding Section 37.0561, as follows:

Sec. 37.0561. PLANNING REQUIREMENTS FOR LARGE LOADS. (a) Requires the PUC by rule to establish standards for interconnecting large load customers in the Electric Reliability Council of Texas (ERCOT) power region in a manner designed to support business development in this state while minimizing the potential for stranded infrastructure costs.

(b) Requires that the standards apply only to customers requesting a new or expanded interconnection where the total load at a single site would exceed a demand threshold established by the PUC based on the size of loads that significantly impact transmission needs in the ERCOT power region. Requires the PUC to establish a demand threshold of 75 megawatts unless the PUC determines that a lower threshold is necessary to accomplish the purposes described by Subsection (a).

(c) Requires that the standards require each large load customer subject to Subsection (b) to disclose to the interconnecting electric utility or municipally owned utility whether the customer is pursuing a substantially similar request for electric service, inside or outside this state, the approval of which would result in the customer materially changing, delaying, or withdrawing the interconnection request. Prohibits the disclosure from requiring project specific details. Requires the PUC by rule to prohibit an electric utility or municipally owned utility from selling, sharing, or disclosing information submitted to the utility under this subsection other than a disclosure to the PUC or the independent organization certified under Section 39.151 (Essential Organizations) for the ERCOT power region, subject to appropriate confidentiality protections.

(d) Requires that the standards require each interconnected large load customer subject to Subsection (b) to disclose to the interconnecting electric utility or municipally owned utility information about the customer's on-site backup generating facilities and require the interconnecting electric utility or municipally owned utility to provide the information to the independent organization certified under Section 39.151 for the ERCOT power region. Defines "on-site backup generating facilities." Requires the independent organization certified under Section 39.151 for the ERCOT power region to establish a threshold during an energy emergency alert where the organization is authorized to, after reasonable notice, direct the applicable electric utility or municipally owned utility to require the large load customer to either deploy the customer's on-site backup generating facility or curtail load. Requires the independent organization certified under Section 39.151 for the ERCOT power region to include a deployment under this section as firm load shed when calculating any price adjustments for reliability deployments. Provides that this subsection does not authorize or require a violation of any emissions limitation in state or federal law or a violation of any other environmental regulation or prohibit a large load customer from participating in a service authorized by Section 39.170(b).

(e) Requires that the standards set a flat study fee of at least $100,000 to be paid to the interconnecting electric utility or municipally owned utility for initial transmission screening studies for large loads subject to Subsection (b). Requires a large load customer that requests additional capacity following the screening study to pay an additional study fee based on the new request. Requires the interconnecting electric utility or municipally owned utility to apply any unused portion of the initial transmission screening study fee as a credit toward satisfying financial obligations for procurement or interconnection agreements at the same geographic site.

(f) Requires that the standards include a method for a large load customer subject to Subsection (b) to demonstrate site control where the load will be located through an ownership interest, lease, or another legal interest acceptable to the PUC.

(g) Requires that the standards include uniform financial commitment standards for the development of transmission infrastructure needed to serve a large load customer subject to Subsection (b) before an electric utility or municipally owned utility may submit a project for review to the independent organization certified under Section 39.151 for the ERCOT power region based on the large load customer's demand. Requires that the standards provide that satisfactory proof of financial commitment may include:

(1) security provided on a dollar per megawatt basis as set by the PUC;

(2) contribution in aid of construction;

(3) security provided under an agreement that requires a large load customer to pay for significant equipment or services in advance of signing an agreement to establish electric delivery service; or

(4) a form of financial commitment acceptable to the PUC other than those provided by Subdivisions (1)-(3).

(h) Requires that security provided under Subsection (g)(1) be refunded, in whole or in part, as the large load customer meets the customer's load ramp milestones and sustains operations for a prescribed period as determined by the PUC.

(i) Requires that the standards allow the independent organization certified under Section 39.151 for the ERCOT power region to access any information collected from the interconnecting electric utility or municipally owned utility, using procedures established by the PUC, to ensure compliance with the standards for transmission planning analysis. Provides that any customer-specific or competitively sensitive information under this subsection is confidential and not subject to disclosure under Chapter 552 (Public Information), Government Code.

(j) Prohibits the PUC from limiting the authority of a municipally owned utility or an electric cooperative to impose retail electric service requirements for large load customers on their systems in addition to the standards adopted under this section.

SECTION 3. Amends Section 39.002, Utilities Code, as follows:

Sec. 39.002. APPLICABILITY. Provides that this chapter, other than certain provisions, including Sections 39.169 and 39.170, does not apply to a municipally owned utility or an electric cooperative.

SECTION 4. Amends Subchapter D, Chapter 39, Utilities Code, by adding Sections 39.169 and 39.170, as follows:

Sec. 39.169. CO-LOCATION OF RETAIL CUSTOMER WITH EXISTING GENERATION RESOURCE. (a) Requires a power generation company, municipally owned utility, or electric cooperative to submit a notice to the PUC and the independent organization certified under Section 39.151 for the ERCOT power region before implementing a net metering arrangement between an existing, operating facility registered with the independent organization as a generation resource and a new large load customer as described by Section 37.0561(b).

(b) Requires that the new net metering arrangement be requested or consented to by the electric cooperative, electric utility, or municipally owned utility certificated to provide retail electric service at the location. Authorizes the electric cooperative, electric utility, or municipally owned utility to withhold consent to a proposal that is consistent with the determination provided under Subsection (d) and applicable law only for a reasonable cause.

(c) Requires the PUC, with input from the independent organization certified under Section 39.151 for the ERCOT power region, not later than the 180th day after the date the PUC receives the notice under Subsection (a), to approve, deny, or impose reasonable conditions on a proposed net metering arrangement described by Subsection (a) as necessary to maintain system reliability, including transmission security and resource adequacy impacts. Authorizes the conditions to:

(1) require the retail customer who is served behind-the-meter to reduce load during certain events;

(2) require the generation resource to make capacity available to the ERCOT power region during certain events; or

(3) provide that the owner of the generation resource may be held liable for stranded or underutilized transmission assets resulting from behind-the-meter operation.

(d) Provides that if the PUC does not approve, deny, or impose reasonable conditions on a proposed net metering arrangement before the expiration of the deadline established by Subsection (c), the PUC is considered to have approved the arrangement.

(e) Requires the PUC, if conditions imposed under Subsection (c) are not limited to a specific period, to review the conditions at least every five years to determine whether the conditions should be extended or rescinded.

(f) Provides that the parties to a proceeding under this section are limited to the PUC, the independent organization certified under Section 39.151 for the ERCOT power region, the interconnecting electric utility or municipally owned utility, and a party in the net metering arrangement.

Sec. 39.170. LARGE LOAD DEMAND MANAGEMENT SERVICE. (a) Requires the PUC to require the independent organization certified under Section 39.151 for the ERCOT power region to ensure that each electric cooperative, electric utility, and municipally owned utility serving a transmission-voltage customer develops a protocol and installs, or requires to be installed, before the customer is interconnected, any necessary equipment to allow the load to be curtailed during firm load shed. Requires the electric cooperative, electric utility, or municipally owned utility to confer with the customer to the extent feasible to shed load in a coordinated manner. Provides that this subsection applies only to a load interconnected after December 31, 2025, that is not load operated by a critical load industrial customer, as defined by Section 17.002 (Definitions), or designated as a critical natural gas facility under Section 38.074 (Critical Natural Gas Facilities and Entities).

(b) Requires the PUC to require the independent organization certified under Section 39.151 for the ERCOT power region to develop a reliability service to competitively procure demand reductions from large load customers with a demand of at least 75 megawatts to be deployed in advance of an anticipated energy emergency alert event. Requires that the rules governing this service:

(1) specify the periods when the service may be used to assist with maintaining reliability during extreme weather events;

(2) ensure that the independent organization provides at least 24-hour notice to large load customers and requires each large load to remain curtailed for the duration of the energy emergency alert event or until the load can be recalled safely; and

(3) prohibit participation by any large load customer that curtails in response to the wholesale price of electricity, as determined by the independent organization certified under Section 39.151 for the ERCOT power region, or that otherwise participates in a different reliability or ancillary service.

(c) Requires the independent organization certified under Section 39.151 for the ERCOT power region to include a deployment under this section when calculating any price adjustments for reliability deployments.

SECTION 5. (a) Requires the PUC to evaluate whether the existing methodology used to charge wholesale transmission costs to distribution providers under Section 35.004(d) (relating to requiring the PUC to establish transmission pricing and cost recovery mechanisms within ERCOT), Utilities Code, continues to appropriately assign costs for transmission investment. Requires the PUC to also evaluate whether the current four coincident peak methodology used to calculate wholesale transmission rates ensures that all loads appropriately contribute to the recovery of an electric cooperative's, electric utility's, or municipally owned utility's costs to provide access to the transmission system; whether alternative methods to calculate wholesale transmission rates would more appropriately assign the cost of providing access to and wholesale service from the transmission system, such as consideration of multiple seasonal peak demands, demand during different length daily intervals, or peak energy intervals; and the portion of the costs related to access to and wholesale service from the transmission system that should be nonbypassable, consistent with Section 35.004(c-1), Utilities Code, as added by this Act.

(b) Requires the PUC to evaluate whether the PUC's retail ratemaking practices ensure that transmission cost recovery appropriately charges the system costs that are caused by each customer class.

(c) Requires the PUC to begin the evaluation required under Subsection (a) of this section not later than the 90th day of the effective date of this Act. Requires the PUC, after completion of the evaluation project and not later than December 31, 2026, to amend PUC rules to ensure that wholesale transmission charges appropriately assign costs for transmission investment.

SECTION 6. Makes application of Section 35.004(c-1), Utilities Code, as added by this Act, prospective.

SECTION 7. Effective date: upon passage or September 1, 2025.