

BILL ANALYSIS

C.S.H.B. 3069
By: Darby
State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that Texas currently faces severe transmission constraints, congestion, and curtailments that threaten grid reliability and economic growth. According to a 2024 Perryman Group report, in 2022, transmission congestion cost the state \$2.8 billion in lost energy, and Texas is facing a \$3.65 billion underinvestment in transmission capacity, which could result in losses totaling \$36.8 billion in gross domestic product by 2040. Additionally, the U.S. Department of Energy's 2023 National Transmission Needs Study indicates that addressing congestion during just 5 percent of hours could alleviate 50 percent of costs, yet, as the author has informed the committee, only 2 of 24 ERCOT-recommended projects since 2015 met economic planning criteria. The author has further informed the committee that reforming the Public Utility Commission of Texas (PUC) approval process for transmission projects to consider long-term benefits could enhance grid reliability, reduce electricity costs, and support economic expansion through a proactive, infrastructure-focused approach.

C.S.H.B. 3069 seeks to promote smarter, forward-thinking investments in Texas' power transmission infrastructure by requiring the PUC to introduce new supplemental planning criteria to evaluate certain electric transmission projects within the ERCOT power region. These criteria are meant to ensure that these projects deliver long-term cost savings for consumers by using financial evaluation methods such as discount rates, scenario planning, and cost averaging over multiple years.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 2 of this bill.

ANALYSIS

C.S.H.B. 3069 amends the Utilities Code to require the Public Utility Commission of Texas (PUC) by rule to establish, in addition to current statutorily prescribed criteria, supplemental multi-decade transmission planning criteria for granting a certificate of public convenience and necessity for a transmission project that serves the ERCOT power region and that is not necessary to meet state or federal reliability standards. The bill requires the supplemental criteria to provide for an evaluation of potential savings for customers using methods such as discount rates, hurdle rates, averaging costs over a reasonable number of years, or scenario planning or any other method the PUC considers appropriate. The bill requires the PUC to include the PUC's findings on the supplemental criteria with the PUC's decision on an application for such a

certificate. The bill requires the PUC to adopt any rules necessary to implement these provisions not later than September 1, 2026.

C.S.H.B. 3069 authorizes the PUC to use an evaluation of a proposed transmission project conducted by ERCOT using the criteria developed under current law relating to a comparison of the estimated cost of the project and the estimated congestion cost savings or the supplemental criteria established by the bill's provisions when considering whether to grant a certificate of public convenience and necessity for a transmission project.

C.S.H.B. 3069 establishes that it is the legislature's intent that the economic transmission planning required by the bill provides cost savings for consumers.

C.S.H.B. 3069 requires the PUC to direct ERCOT to take any action necessary for the implementation of the bill's provisions not later than September 1, 2026. The bill applies only to a proceeding affecting a certificate of public convenience and necessity that commences on or after September 1, 2026. A proceeding affecting a certificate that commenced before that date is governed by the law in effect on the date the proceeding is commenced, and that law is continued in effect for that purpose.

EFFECTIVE DATE

September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3069 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

While both the introduced and the substitute make statutory changes relating to criteria for granting a certificate of public convenience and necessity for a transmission project that serves the ERCOT power region and that is not necessary to meet state or federal reliability standards, the substitute includes provisions requiring the PUC to adopt rules establishing supplemental multi-decade transmission planning criteria and setting out related requirements, providing for the PUC's use of ERCOT evaluations in considering whether to grant a certificate, requiring the PUC to direct ERCOT to take necessary action, and establishing legislative intent, and does not include any provisions from the introduced, which did the following:

- specified that the comparison of the estimated cost of the transmission project for consumers and the estimated congestion cost savings from the project for consumers required under current law to be included in the criteria for granting an applicable certificate is to be conducted over a period of not less than 10 years; and
- required that such criteria apply a three percent discount rate to the quantified value of the congestion cost savings after the fifth year of the comparison period.

Additionally, whereas the introduced established that the bill's provisions apply only to a proceeding affecting a certificate of public convenience and necessity that commences on or after the bill's effective date, the substitute establishes that the bill's provisions apply only to such a proceeding that commences on or after September 1, 2026.