

BILL ANALYSIS

Senate Research Center

S.B. 6
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Enrolled

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.

S.B. 6 amends current law relating to the planning for, interconnection and operation of, and costs related to providing service for certain electrical loads and to the generation of electric power by a water supply or sewer service corporation.

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 utility's 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 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 FOR AND INTERCONNECTION OF LARGE LOADS. (a) Provides that, for the purposes of this section, a large load customer includes an entity requesting an interconnection that exceeds the demand threshold adopted under Subsection (c) and a successor in interest to such an entity.

(b) 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 and maintaining system reliability.

(c) 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 (b).

(d) Requires that the standards require each large load customer subject to Subsection (c) to disclose to the interconnecting electric utility or municipally owned utility whether the customer is pursuing a substantially similar request for electric service in this state the approval of which would result in the customer materially changing, delaying, or withdrawing the interconnection request. Authorizes the disclosure to withhold or anonymize competitively sensitive 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.

(e) Requires that the standards require each interconnected large load customer subject to Subsection (c) 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 to establish a threshold before or during an energy emergency alert at which the organization is authorized to issue reasonable notice that large load customers with on-site backup generating facilities may be directed to either deploy the customer's on-site backup generating facilities or curtail load. Authorizes the independent organization, after the independent organization deploys all available market services, except for frequency responsive services, to 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 facilities or curtail load. Requires the independent organization 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).

(f) 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 (c). 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.

(g) Requires that the standards include a method for a large load customer subject to Subsection (c) to demonstrate site control for the proposed load location through an ownership interest, lease, or another legal interest acceptable to the PUC.

(h) Requires that the standards include uniform financial commitment requirements for the development of transmission infrastructure needed to serve a large load customer subject to Subsection (c). 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).

(i) Requires that security provided under Subsection (h)(1) be refunded, in whole or in part, after the security is applied to any outstanding amounts owed:

(1) as the large load customer meets the customer's load ramp milestones and sustains operations for a prescribed period as determined by the PUC;

(2) if the large load customer withdraws the customer's request for all or a portion of the requested capacity; or

(3) if capacity subject to a financial commitment will be reallocated to one or more other customers.

(j) Requires the PUC to establish uniform requirements for determining when capacity that is subject to an outstanding financial commitment under this section may be reallocated.

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

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

(m) Requires the PUC, notwithstanding the forecasted load growth and additional load currently seeking interconnection required to be considered under Section

37.056(c-1) (relating to requiring the PUC to consider certain load information), by rule to establish criteria by which the independent organization certified under Section 39.151 for the ERCOT power region includes forecasted large load of any peak demand in the organization's transmission planning and resource adequacy models and reports.

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

Sec. 39.002. APPLICABILITY. Provides that Chapter 39 (Restructuring of Electric Utility Industry), 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 LARGE LOAD CUSTOMER WITH EXISTING GENERATION RESOURCE. (a) Requires a power generation company, municipally owned utility, or electric cooperative to submit a notice to the independent organization certified under Section 39.151 for the ERCOT power region before implementing a net metering arrangement between an operating facility registered with the independent organization as a stand-alone generation resource as of September 1, 2025, and a new large load customer as described by Section 37.0561(c).

(b) Provides that this section does not apply to a generation resource the registration for which included a co-located large load customer at the time of energization, regardless of whether the load was energized at a later date, or a majority interest of which is owned indirectly or directly as of January 1, 2025, by a parent company of the customer that participates in the new net metering arrangement.

(c) Authorizes the electric cooperative, transmission and distribution utility, or municipally owned utility that provides electric service at the location of the new net metering arrangement, for reasonable cause including a violation of other law, to object to the arrangement, provided however, that no reasonable cause objection is authorized to be raised after a final decision by the PUC is issued under this section.

(d) Requires the independent organization certified under Section 39.151 for the ERCOT power region to study the system impacts of a proposed net metering arrangement and removal of generation for which the independent organization receives a notice under Subsection (a) after the independent organization receives all information regarding the arrangement required by the independent organization to be submitted to the independent organization. Requires the independent organization to complete the study and submit the results to the PUC with any associated recommendations not later than the 120th day after the independent organization receives all required information regarding the arrangement. Requires the PUC, not later than the 60th day after the date the PUC receives the study results from the independent organization, to approve, deny, or impose reasonable conditions on the proposed net metering arrangement as necessary to maintain system reliability, including transmission security and resource adequacy impacts. Requires that the conditions require a generation resource that makes dispatchable capacity available to the ERCOT power region before the implementation of a net metering arrangement under this section to make at least that amount of dispatchable capacity available to the ERCOT power region after the implementation of the arrangement at the direction of the independent organization in advance of an anticipated emergency condition. Authorizes the conditions to include requiring the retail customer who is served behind-the-meter to reduce load during certain events, requiring the generation resource to make capacity available to the ERCOT power region during certain

events, or requiring customers to be held harmless for stranded or underutilized transmission assets resulting from the behind-the-meter operation.

(e) 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 (d), the PUC is considered to have approved the arrangement.

(f) Requires the PUC, if conditions imposed under Subsection (d) 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.

(g) 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 cooperative, transmission and distribution utility, or municipally owned utility, and a party in the net metering arrangement.

(h) Requires the PUC to post the decision made on each notice submitted under this section on the PUC's Internet website. Prohibits the PUC from posting information regarding the decision that is competitively sensitive or otherwise considered confidential.

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, transmission and distribution utility, and municipally owned utility serving a transmission-voltage customer develops a protocol, including the installation of any necessary equipment or technology before the customer is interconnected, to allow the load to be curtailed during firm load shed. Requires the electric cooperative, transmission and distribution 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 the event of an anticipated emergency condition. 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. Amends Subchapter A, Chapter 67, Water Code, by adding Section 67.0115, as follows:

Sec. 67.0115. ELECTRIC GENERATION. (a) Authorizes a corporation to generate electric power for use in the corporation's operations, limited to powering water well pumps, service pumps, and other equipment for the production, treatment, and transportation of raw water and powering infrastructure for the treatment and delivery of potable drinking water.

(b) Authorizes a corporation operating solely as a wholesale water supplier or sewer service in a county with a population of less than 350,000, for the purposes of Subsection (a), to generate excess electric power in conjunction with the uses described in Subsection (a) for sale in the ERCOT power region to provide revenue for the corporation only if the corporation primarily generates electric power solely for the uses described in Subsection (a) and registers as a power generation company under Section 39.351, Utilities Code.

(c) Requires a corporation that generates electric power for sale under Subsection (b) to account for and use the revenue from those sales in a manner that complies with Section 67.004 (Application of Texas Non-Profit Corporation Act). Provides that the revenue that accrues from those sales of electric power is authorized to be used by the corporation only for the corporation's costs of producing and selling electric power, including administration, employees, equipment, fuel, and maintenance, or a purpose described by Section 67.002 (Purpose of Corporation).

SECTION 6. (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 after 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 7. Makes application of Section 35.004(c-1), Utilities Code, as added by this Act, prospective.

SECTION 8. Effective date: upon passage or September 1, 2025.