

BILL ANALYSIS

C.S.S.B. 6
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State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill sponsor has informed the committee that ERCOT estimates a significant increase in the demand for electricity in Texas over the next five years, specifically, an additional load growth between 130-150 gigawatts (GWs) by 2030, which is almost double ERCOT's peak load of 86 GWs in 2024. The bill sponsor also informed the committee that, while this growth presents opportunity for the state of Texas, it must be managed to prevent reliability risks, and that stakeholders came together to identify challenges related to large load growth. C.S.S.B. 6 focuses on four main objectives: ensuring transmission costs are properly allocated, establishing grid reliability protection measures, bringing transparency and credibility to load forecasting, and protecting residential customers from outages by requiring large loads to share the load shed obligation during times of shortage.

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 SECTIONS 1, 2, and 4 of this bill.

ANALYSIS

Planning for and the Interconnection of Large Loads

C.S.S.B. 6 amends the Utilities Code to require the Public Utility Commission of Texas (PUC) by rule to establish standards for interconnecting large load customers in the ERCOT power region in a manner designed to support business development in Texas while minimizing the potential for stranded infrastructure costs and maintaining system reliability. The bill requires those standards to 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 and requires the PUC to establish a demand threshold of 75 megawatts unless the PUC determines that a lower threshold is necessary to accomplish those purposes. For the purposes of the bill's provisions relating to planning for and interconnection of large loads, a large load customer includes an entity requesting an interconnection that exceeds that demand threshold and a successor in interest to such an entity.

C.S.S.B. 6, with respect to the interconnection standards adopted under the bill's provisions, does the following:

- requires the standards to require each large load customer subject to the bill to disclose to the interconnecting electric utility or municipally owned utility whether the customer

is pursuing a substantially similar request for electric service in Texas the approval of which would result in the customer materially changing, delaying, or withdrawing the interconnection request;

- authorizes that disclosure to withhold or anonymize competitively sensitive details; and
- 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 these provisions other than a disclosure to the PUC or ERCOT, subject to appropriate confidentiality protections.

The bill also requires those standards to require each interconnected large load customer subject to the bill's provisions 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 ERCOT. For those purposes, the bill defines "on-site backup generating facilities" as generation that is not capable of exporting energy to the ERCOT transmission grid and that, in the aggregate, can serve at least 50 percent of on-site demand. Furthermore, the bill establishes that:

- ERCOT must establish a threshold before or during an energy emergency alert at which ERCOT may issue reasonable notice that large load customers may be directed to deploy on-site backup generating facilities or curtail load;
- ERCOT, after it deploys all available market services, except for frequency response services, may 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; and
- ERCOT must include a deployment under these provisions as firm load shed when calculating any price adjustments for reliability deployments.

These foregoing provisions expressly do 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 reliability service authorized by the bill's provisions.

C.S.S.B. 6 requires the large load customer interconnecting standards to 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 the bill and requires a large load customer that requests additional capacity following the screening study to pay an additional study fee based on the new request. The bill 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.

C.S.S.B. 6 requires the standards to include a method for a large load customer subject to the bill's provisions to demonstrate site control for the proposed load location through an ownership interest, lease, or another legal interest acceptable to the PUC. The standards must include uniform financial commitment standards for the development of transmission infrastructure needed to serve such a large load customer before an electric utility or municipally owned utility may submit a project for review to ERCOT based on the large load customer's demand. The bill requires an interconnecting electric utility or municipally owned utility that receives a payment that meets the financial commitment standards to preserve the ability of the large load customer to interconnect and retain the customer's contract capacity under the interconnection or facilities extension agreement, once the utility has approved the customer's initial or modified request for interconnection, unless the payment is later refunded. The standards must provide that satisfactory proof of financial commitment may include the following:

- security provided on a dollar per megawatt basis as set by the PUC;
- contribution in aid of construction;
- 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

- a form of financial commitment acceptable to the PUC other than those provided in the preceding bulleted provisions.

The bill requires security provided on a dollar per megawatt basis as set by the PUC under these provisions to be refunded, in whole or in part, after the security is applied to any outstanding amounts owed, as follows:

- as the large load customer meets the customer's load ramp milestones and sustains operations for a prescribed period as determined by the PUC;
- if the large load customer withdraws the customer's request for all or a portion of the requested capacity; or
- if capacity subject to a financial commitment will be reallocated to one or more other customers.

The PUC must establish uniform requirements for determining when capacity that is subject to an outstanding financial commitment under these bill provisions regarding planning for and interconnection of large loads may be reallocated.

C.S.S.B. 6 requires that the standards establish a procedure to allow ERCOT to access any information collected by the interconnecting electric utility or municipally owned utility to ensure compliance with the standards for transmission planning analysis and establishes that any customer-specific or competitively sensitive information obtained in that manner is confidential and not subject to disclosure under state public information law.

C.S.S.B. 6 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 these bill provisions regarding planning for and interconnection of large loads.

C.S.S.B. 6 requires the PUC by rule to establish criteria by which ERCOT includes forecasted large load of any peak demand in the organization's transmission planning and resource adequacy models and reports, notwithstanding the forecasted load growth and additional load currently seeking interconnection required to be considered under statutory provisions governing the grant or denial of a certificate of convenience and necessity.

Expedited Interconnection for Certain Large Loads

C.S.S.B. 6 requires the PUC by rule to establish a program to provide an expedited process for the interconnection of large loads. The bill requires the program to require the interconnecting municipally owned utility or electric utility and ERCOT to give priority in the interconnection queue to a large load for which a retail customer has received approval for expedited processing over any other large loads that have not entered into a contractual agreement with the municipally owned utility or electric utility regarding the provision of electric service. If applicable, the generation interconnection application for a generation facility associated with the large load must be processed in parallel with the large load.

C.S.S.B. 6 requires the program to require a large load to qualify for expedited interconnection processing by bringing in-service, not later than the 180th day after the interconnection date, behind-the-meter generation that is registered with ERCOT and capable of serving the full load requirement of the customer. As an alternative to this requirement, a large load may qualify for expedited interconnection processing, if the load is a facility with an aggregated peak demand at a single site of more than 75 megawatts, by:

- providing to the interconnecting municipally owned utility or electric utility all data regarding, and making satisfactory proof of financial commitment for, the load; and
- being subject to a binding commitment with ERCOT to establish the load as a flexible load for a minimum period established by the PUC, which must be at least 10 years.

C.S.S.B. 6 authorizes a large load that qualifies for expedited interconnection processing to choose, as follows:

- to contract with a vendor approved by the relevant utility or by ERCOT to perform all studies required by the relevant utility before the approval of the interconnection application, if authorized by ERCOT and the relevant municipally owned utility or electric utility; and
- if authorized by the relevant municipally owned utility or electric utility, to procure equipment required for the interconnection in accordance with technical specifications provided by the relevant utility and to construct interconnection facilities in accordance with technical and other requirements of the relevant utility.

C.S.S.B. 6 authorizes the program to provide that studies required by a municipally owned utility or electric utility before the approval of an interconnection application for a flexible load may evaluate the load as non-firm.

C.S.S.B. 6 requires demand reductions from flexible loads that receive expedited processing and are removed from the system through the utilization of behind-the-meter generation during an energy emergency alert to be counted toward any obligation of the municipally owned utility or electric utility to shed load.

C.S.S.B. 6 requires ERCOT to consider action taken under the bill's provisions relating to expedited interconnection for certain large loads as a reliability deployment when calculating any price adjustments for reliability deployments.

C.S.S.B. 6 requires the PUC to establish financial penalties the PUC may impose on an owner or operator of a large load that is approved for expedited interconnection processing but fails to reduce the load or power the load with back-up generation as directed by ERCOT.

C.S.S.B. 6 defines the following terms for purposes of its provisions relating to expedited interconnection for certain large loads:

- "behind-the-meter generation" as a generation facility on the retail customer's side of the meter capable of serving the full load requirement of the retail customer; and
- "flexible load" as a large load operated by a retail customer who is obligated by contract or agreement in the ERCOT market to reduce the load or power the load exclusively with back-up generation at the direction of ERCOT or as required to protect the integrity of the ERCOT grid.

Provision of Transmission Service

C.S.S.B. 6 requires the PUC by rule to ensure that a large load customer who is subject to the standards adopted under the bill's provisions relating to planning for and interconnection of large loads contributes to the recovery of the interconnecting electric utility's costs to interconnect the large load to the utility's system. This provision applies only to an interconnection agreement entered into on or after the bill's effective date.

C.S.S.B. 6 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 the bill's provisions relating to planning for and interconnection of large loads the reasonable costs to interconnect the large load in a manner determined by the electric cooperative or municipally owned utility.

Co-Location of Large Load Customer With Existing Generation Resource

C.S.S.B. 6 requires a power generation company, municipally owned utility, or electric cooperative to submit a notice to ERCOT before implementing a net metering arrangement between an operating facility registered with ERCOT as a stand-alone generation resource as of September 1, 2025, and a new large load customer as described by the bill's provisions relating to planning for and interconnection of large loads.

C.S.S.B. 6 establishes that its provisions relating to the co-location of large load customer with existing generation resource do 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.S.S.B. 6 requires the new net metering arrangement to be requested or consented to by the electric cooperative, electric utility, or municipally owned utility certificated to provide electric service at the location and authorizes the electric cooperative, electric utility, or municipally owned utility to withhold consent to a proposal that is consistent with the determination provided under the bill's provisions requiring ERCOT's approval, denial, or imposition of reasonable conditions on a proposed net metering arrangement and applicable law only for a reasonable cause.

C.S.S.B. 6 requires ERCOT, not later than the 180th day after the date ERCOT receives notice from a power generation company, municipally owned utility, or electric cooperative, to approve, deny, or impose reasonable conditions on a proposed net metering arrangement as necessary to maintain system reliability, including transmission security and resource adequacy impacts. The conditions must require a generation resource that makes capacity available to the ERCOT power region before the implementation of a net metering arrangement to make at least that amount of capacity available to the ERCOT power region after the implementation of the arrangement at the direction of ERCOT in advance of an anticipated emergency condition. The conditions may, as follows:

- require the retail customer who is served behind-the-meter to reduce load during certain events;
- require the generation resource to make capacity available to the ERCOT power region during certain events; or
- provide that the owner of the generation resource may be held liable for stranded or underutilized transmission assets resulting from the behind-the-meter operation.

If ERCOT does not approve, deny, or impose reasonable conditions on a proposed net metering arrangement before the expiration of the deadline, ERCOT is considered to have approved the arrangement. If those conditions are not limited to a specific period, ERCOT must review the conditions at least every five years to determine whether the conditions should be extended or rescinded.

C.S.S.B. 6 establishes that the parties to such a proceeding are limited to the PUC, ERCOT, the interconnecting electric cooperative, electric utility, or municipally owned utility, and a party in the net metering arrangement. A final decision made by ERCOT related to the bill's provisions relating to co-location of large load customer with existing generation resource may be appealed to the PUC by the owner of the generation resource or the large load customer.

C.S.S.B. 6 requires the PUC to post the decision made by ERCOT on each notice submitted under the bill's provisions relating to the co-location of large load customer with existing generation resource on the PUC website. The bill prohibits the PUC from posting information regarding the decision that is competitively sensitive or otherwise considered confidential.

Large Load Demand Management Service

C.S.S.B. 6 requires the PUC to require ERCOT to ensure that each electric cooperative, transmission and distribution 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. The bill 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. These requirements apply only to a load interconnected after December 31, 2025, that is not either of the following:

- load operated by a critical load industrial customer, as defined by statutory provisions applicable to all utilities that relate to customer protection generally; or
- designated as a critical natural gas facility under the Public Utility Regulatory Act provisions related to critical natural gas facilities and entities.

C.S.S.B. 6 requires the PUC to require ERCOT 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. The rules governing this service must, as follows:

- specify the periods when the service may be used to assist with maintaining reliability during extreme weather events;
- ensure that ERCOT provides at least a 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
- prohibit participation by any large load customer that curtails in response to the wholesale price of electricity, as determined by ERCOT, or that otherwise participates in a different reliability or ancillary service.

C.S.S.B. 6 requires ERCOT to include a deployment under the bill's provisions relating to large load demand management service when calculating any price adjustments for reliability deployments.

Required Evaluations by the PUC

C.S.S.B. 6 requires the PUC to evaluate whether the existing methodology used to charge wholesale transmission costs to distribution providers under provisions relating to the provision of transmission service under which the PUC must price wholesale transmission services within ERCOT based on the postage stamp method of pricing continues to appropriately assign costs for transmission investment. The bill requires the PUC to also evaluate the following:

- 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 the bill's provisions requiring the PUC by rule to ensure that a large load customer who is subject to the standards adopted under the bill's provisions relating to planning for and interconnection of large loads contributes to the recovery of the interconnecting electric utility's costs to interconnect the large load to the utility's system.

The PUC must begin the evaluation required under the foregoing provision not later than the 90th day after the bill's effective date. After completion of the evaluation project and not later than December 31, 2026, the bill requires the PUC to amend PUC rules to ensure that wholesale transmission charges appropriately assign costs for transmission investment.

C.S.S.B. 6 also 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.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2025.

COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE

While C.S.S.B. 6 may differ from the engrossed in minor or nonsubstantive ways, the following summarizes the substantial differences between the engrossed and committee substitute versions of the bill.

Planning for and Interconnection of Large Loads

The substitute includes a provision absent from the engrossed establishing that a large load customer includes an entity requesting an interconnection that exceeds the demand threshold and a successor in interest to such an entity.

The engrossed provided that the standards for applicable interconnecting large load customers must require each large load customer 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 of Texas, whereas the substitute provides that the standards must require those customers to disclose to the applicable utility whether the customer is pursuing a substantially similar request for electric service in Texas.

Whereas the engrossed required ERCOT to establish a threshold during an energy emergency alert where ERCOT may, 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, the substitute requires ERCOT to establish a threshold before or during an energy emergency alert at which ERCOT may issue reasonable notice that large load customers may be directed to deploy on-site backup generating facilities or curtail load and authorizes ERCOT, after ERCOT deploys all available market services, except for frequency response 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.

The substitute includes a provision absent from the engrossed requiring an interconnecting electric utility or municipally owned utility that receives a payment that meets the financial commitment standards under the bill's provisions to preserve the ability of the large load customer to interconnect and retain the customer's contract capacity under the interconnection or facilities extension agreement, once the utility has approved the customer's initial or modified request for interconnection, unless the payment is later refunded.

With respect to the requirement that is included in both the engrossed and the substitute for security to be refunded, in whole or in part, after the security is applied to any outstanding amounts owed under certain circumstances, the substitute, but not the engrossed, requires security to be refunded if capacity subject to a financial commitment will be reallocated to one or more other customers. Moreover, the substitute includes a provision absent from the engrossed requiring the PUC to establish uniform requirements for determining when capacity that is subject to an outstanding financial commitment may be reallocated.

While the engrossed prohibited 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 the bill's provisions, the substitute includes the prohibition but does not make it applicable to the imposition of retail electric service requirements but makes it applicable instead to the imposition of electric service requirements.

Expedited Interconnection for Certain Large Loads

The substitute includes provisions regarding expedited interconnection for certain large loads, none of which were in the engrossed, as follows:

- provisions defining "behind-the-meter generation" and "flexible load";
- a provision requiring the PUC by rule to establish a program to provide an expedited process for the interconnection of large loads and certain requirements and authorizations for such a program;
- a provision setting a deadline for a large load to qualify for expedited interconnection processing by bringing in-service behind-the-meter generation that is registered with ERCOT and capable of serving the full-load requirement of the customer and several provisions establishing, as an alternative for that qualification, a large load that is a facility with an aggregated peak demand at a single site of more than 75 megawatts and that meets certain specified conditions as prescribed by the substitute;
- a provision authorizing a qualified large load to choose to contract with an approved vendor to perform studies required before approval of the interconnection application and a provision authorizing the program to provide that required studies may evaluate the load as non-firm;
- a provision authorizing a qualified large load to choose, if authorized by the relevant utility, to procure certain required equipment and to construct interconnection facilities in accordance with requirements of the relevant utility;
- a requirement for certain demand reductions to be counted toward any obligation of the municipally owned utility or electric utility to shed load;
- a requirement for ERCOT to consider certain action as a reliability deployment when calculating any price adjustments for reliability deployments; and
- a requirement for the PUC to establish financial penalties the PUC may impose on an owner or operator of a large load that is approved for expedited interconnection processing but fails to reduce the load or power the load with back-up generation as directed by ERCOT.

Co-Location of Large Load Customer With Existing Generation Resource

With respect to the requirement in both the engrossed and the substitute for a power generation company, municipally owned utility, or electric cooperative to submit a notice before implementing a net metering arrangement between an operating facility registered with ERCOT and a new large load customer, the substitute does the following:

- whereas the engrossed included both the PUC and ERCOT as recipients of the notice, the substitute requires that only ERCOT receive the notice;
- specifies that the generation resource is a stand-alone generation resource, whereas the engrossed did not; and
- specifies that the resource is a resource as of September 1, 2025, whereas the engrossed did not.

The engrossed, but not the substitute, specified that the net-metering arrangement was between an existing, operating facility and the customer.

The substitute includes a provision absent from the engrossed establishing that the provisions relating to the co-location of large load customer with existing generation resource do not apply to a certain 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.

The engrossed specified that the new net metering arrangement must be requested or consented to by the electric cooperative, electric utility, or municipally owned utility certificated to provide

retail electric service at the location, whereas the substitute does not specify that the electric service provided be retail electric service.

Whereas the engrossed required the PUC, with input from ERCOT, to approve, deny, or impose reasonable conditions on a proposed net metering arrangement as necessary to maintain system reliability, the substitute requires ERCOT to do so, omits the references to the PUC in that provision accordingly, and omits the reference in the engrossed to ERCOT input in relation to the PUC's approval, denial, or imposition of reasonable conditions.

The substitute includes the following provisions absent from the engrossed:

- a requirement for the reasonable conditions to require a generation resource that makes capacity available to the ERCOT power region before the implementation of a net metering arrangement to make at least that amount of capacity available to the ERCOT power region after the implementation of the arrangement at the direction of the ERCOT in advance of an anticipated emergency condition;
- an authorization for a final decision made by ERCOT related to the reasonable conditions to be appealed to the PUC by the owner of the generation resource or the large load customer;
- a requirement for the PUC to post the decision made by ERCOT submitted under the bill's provisions relating to the co-location of large load customer with existing generation resource on the PUC website; and
- a prohibition against the PUC posting information regarding the decision that is competitively sensitive or otherwise considered confidential.

Large Load Demand Management Service

With respect to the requirement in the engrossed and the substitute for the PUC to require ERCOT to ensure that each electric cooperative and municipally owned utility serving a transmission-voltage customer develop a protocol and install, or require to be installed, before the customer is interconnected, any necessary equipment to allow the load to be curtailed during firm load shed, the substitute replaces an electric utility, as in the engrossed, with a transmission and distribution utility as a utility required to so develop or install such equipment. Accordingly, the substitute replaces an electric utility, as in the engrossed, with a transmission and distribution utility as one of the utilities required to confer with the customer to the extent feasible to shed load in a coordinated manner.