

BILL ANALYSIS

Senate Research Center
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S.B. 6
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Background:

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.

Purpose:

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 commission to reevaluate the Four Coincident Peak (4CP) calculation method currently used for setting transmission rates. Additionally, the bill requires the Public Utility Commission (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.

As proposed, S.B. 6 amends current law relating to electricity planning and infrastructure costs for large loads.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Public Utility Commission of Texas in SECTION 3 (Section 37.0561, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 35.004(d), Utilities Code, to require each distribution-owning utility in the Electric Reliability Council of Texas (ERCOT), for purposes of establishing the postage stamp rate, to report the additional billing determinants that would be created by applying the minimum transmission charge calculation under Section 36.010 to the distribution-owning utility's service area.

SECTION 2. Amends Subchapter A, Chapter 36, Utilities Code, by adding Section 36.010, as follows:

Sec. 36.010. MINIMUM TRANSMISSION CHARGE. Requires the Public Utility Commission of Texas (PUC), to ensure that all users of the transmission system in the ERCOT power region contribute to transmission cost recovery, to implement minimum rates that require all retail customers in that region served behind-the-meter to pay retail transmission charges based on a percentage of the customer's non-coincident peak demand from the utility system as identified in the customer's service agreement. Requires a municipally owned utility or electric cooperative that has not adopted customer choice to pass through the minimum wholesale transmission rate to the utility's or cooperative's retail customers in a manner determined by the utility or cooperative.

SECTION 3. 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 at transmission voltage in the 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 with a load that exceeds 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 seeking interconnection to disclose to the interconnecting electric utility or municipally owned utility whether the customer is pursuing a duplicate request for electric service, inside or outside this state, the approval of which would result in the customer materially changing or withdrawing the interconnection request. 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.

(d) Requires that the standards require each interconnected large load customer to disclose to the independent organization certified under Section 39.151 (Essential Organizations) for the ERCOT power region information about the customer's on-site backup generating facilities. Authorizes the independent organization certified under Section 39.151 for the ERCOT power region, to achieve firm load shed during an energy emergency alert, after reasonable notice, to direct the applicable electric utility or municipally owned utility to require the large load customer to deploy the customer's on-site backup generating facility. Provides that this subsection does not authorize a violation of any emissions limitation in state or federal law or a violation of any other environmental regulation or prohibit a large load 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 for initial transmission screening studies for large loads above the minimum demand threshold determined under Subsection (b). Requires any unused portion of the initial transmission screening study fee to be applied as a credit toward security for procurement or interconnection agreements at the same geographic site.

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

(g) Requires that the standards include uniform financial commitment standards for the development of transmission infrastructure needed to serve a large load

customer before an electric utility or municipally owned utility may submit a project for review by ERCOT based on the large load customer's demand. Requires that the standards provide that satisfactory proof or financial commitment is authorized to include:

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

(2) 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

(3) another form of financial commitment acceptable to the PUC.

(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 requested load ramp milestones and sustains operations for a prescribed period of time as determined by the PUC.

(i) 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 in addition to the standards adopted under this section.

SECTION 4. Amends Section 39.002, Utilities Code, as follows:

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

SECTION 5. 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 new net metering arrangement between a facility registered with the independent organization as a generation resource and an unaffiliated retail customer if:

(1) the retail customer's demand would exceed 10 percent of the nameplate capacity of the existing generation resource; and

(2) the facility owner has not proposed to construct an equal amount of replacement capacity in the same general area.

(b) Provides that, for the purposes of Subsection (a)(2), nameplate capacity from dispatchable thermal generation is considered to be replaced only if the replacement capacity is from dispatchable thermal generation.

(c) 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.

(d) 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. Authorizes the conditions to include requirements that behind-the-meter load ramp down during certain events, that generation reenter energy markets in the ERCOT power region during certain events, and that the generation resource will

be held liable 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.

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 large load customer that is subject to the standards adopted under Section 37.0561 installs, or requires to be installed, before the customer is interconnected, equipment that allows the load to be remotely disconnected during firm load shed. 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 subject to the standards adopted under Section 37.0561 in advance of a projected energy emergency alert event. Requires that the service provide at least a 24-hour notice to large load customers that participate in the service and require each participating large load to remain curtailed for the duration of the energy emergency alert event or until the load can be recalled safely. Prohibits a large load customer from offering for the service megawatts that curtail 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 participate in a different reliability or ancillary service.

SECTION 6. (a) Requires the PUC to evaluate whether the existing methodology used to allocate 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 methodology, including the four coincident peak methodology, for allocating transmission costs by transmission and distribution utilities in the ERCOT power region to their customer classes results in a just and reasonable allocation or alternative methodologies should be considered.

(b) Requires the PUC to open a rulemaking project regarding 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, if the PUC determines in the project that a PUC rule should be amended, to adopt the final rule not later than December 31, 2026.

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