

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1978
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas faces an ongoing challenge to preserve its independence from federal oversight of our state electrical grid, the Electric Reliability Council of Texas (ERCOT). The state has long valued the flexibility and local control afforded by its independent grid, which allows Texas to tailor its energy policies and responses to its unique geographic, economic, and environmental needs.

Integration with other regional grids or federal authorities that would subject the state to external regulations and policies that do not align with Texas' best interests should be outright prohibited. By maintaining control over ERCOT, Texas will safeguard its energy sovereignty, ensuring the state's management of its power infrastructure and its ability to respond dynamically to challenges.

This Bill Would:

- Prohibit actions that would result in the interconnection of an electric facility in the ERCOT power region to a facility that is connected outside of this state, unless the Public Utility Commission of Texas (PUC) determines that the interconnection would be consistent with free market principles and does not bring control of the Texas electric grid under federal jurisdiction.

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

C.S.S.B. 1978 amends current law relating to the interconnection of a facility in the ERCOT power region to certain other facilities.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 37.051, Utilities Code, by amending Subsections (c), (c-1), (c-2), and (c-3) and adding Subsection (c-4), as follows:

(c) Provides that an electric cooperative, notwithstanding any other provision of this chapter except Subsection (c-1), rather than including Subsection (a) (relating to prohibiting an electric utility from directly or indirectly providing service to the public under a franchise or permit unless the utility first obtains a certain certificate), is not required to obtain a certain certificate.

(c-1) Defines "facility." Prohibits an electric cooperative, an electric utility, a municipally owned utility, or another person, notwithstanding any other provision of Title 2 (Public Utility Regulatory Act) except Section 11.009 (Construction With Federal Authority), and except as provided by Subsection (c-3), from interconnecting a facility in the Electric Reliability Council of Texas (ERCOT) power region to a facility located wholly or partly

outside of this state or to a facility that is connected directly or indirectly with a facility located wholly or partly outside of this state, unless:

- (1) the proposed interconnection will not subject the ERCOT power region to additional federal control or jurisdiction;
- (2) the Public Utility Commission (PUC) first determines that the proposed interconnection is in the public interest after considering certain criteria;
- (3) the cooperative, utility, or person applies for a public interest determination from the commission under Subdivision (2) not later than the 180th day before the date the cooperative, utility, or person seeks any order from the Federal Energy Regulatory Commission related to the proposed interconnection; and
- (4) after the cooperative, utility, or person obtains any order from the Federal Energy Regulatory Commission related to the proposed interconnection, the PUC grants a certificate stating that public convenience or necessity requires or will require the interconnection.

Deletes existing text prohibiting a person, including an electric utility or municipally owned utility, notwithstanding any other provision this title Section 11.009, and except as provided by Subsection (c-2), from interconnecting a facility to the ERCOT transmission grid that enables additional power to be imported into or exported out of the ERCOT power grid unless the person obtains a certificate from the commission stating that public convenience and necessity requires or will require the interconnection. Deletes existing text requiring the person to apply for the certificate not later than the 180th day before the date the person seeks any order from the Federal Energy Regulatory Commission related to the interconnection.

(c-2) Creates this subsection from existing text. Requires the PUC to apply Section 37.056 (Grant or Denial of Certificate) in considering an application under Subsection (c-1), rather than this subsection. Deletes existing text requiring the PUC, in addition, to determine that the application is consistent with the public interest before granting the certificate. Makes conforming changes.

(c-3) Redesignates existing Subsection (c-2) as Subsection (c-3) and makes no further changes.

(c-4) Redesignates existing Subsection (c-3) as Subsection (c-4). Provides that nothing in Subsection (c-1), (c-2), or (c-3) is intended to restrict the authority of the PUC or the independent organization certified under Section 39.151 (Essential Organizations) for the ERCOT power region to adopt rules or protocols of general applicability. Makes nonsubstantive changes.

SECTION 2. Makes application of Section 37.051, Utilities Code, prospective.

SECTION 3. Effective date: upon passage or September 1, 2025.