89R12894 JXC-F

By:  King, Schwertner S.B. No. 6

A BILL TO BE ENTITLED

AN ACT

relating to electricity planning and infrastructure costs for large loads.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1.  Section 35.004(d), Utilities Code, is amended to read as follows:

(d)  The commission shall price wholesale transmission services within ERCOT based on the postage stamp method of pricing under which a transmission-owning utility's rate is based on the ERCOT utilities' combined annual costs of transmission, other than costs described by Subsections (d-2) and (d-3), divided by the total demand placed on the combined transmission systems of all such transmission-owning utilities within a power region. For purposes of establishing the postage stamp rate, each distribution-owning utility in ERCOT shall 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. An electric utility subject to the freeze period imposed by Section 39.052 may treat transmission costs in excess of transmission revenues during the freeze period as an expense for purposes of determining annual costs in the annual report filed under Section 39.257. Notwithstanding Section 36.201, the commission may approve wholesale rates that may be periodically adjusted to ensure timely recovery of transmission investment. Notwithstanding Section 36.054(a), if the commission determines that conditions warrant the action, the commission may authorize the inclusion of construction work in progress in the rate base for transmission investment required by the commission under Section 39.203(e).

SECTION 2.  Subchapter A, Chapter 36, Utilities Code, is amended by adding Section 36.010 to read as follows:

Sec. 36.010.  MINIMUM TRANSMISSION CHARGE. To ensure that all users of the transmission system in the ERCOT power region contribute to transmission cost recovery, the commission shall 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. A municipally owned utility or electric cooperative that has not adopted customer choice shall 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.  Subchapter B, Chapter 37, Utilities Code, is amended by adding Section 37.0561 to read as follows:

Sec. 37.0561.  PLANNING REQUIREMENTS FOR LARGE LOADS. (a) The commission by rule shall 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)  The standards must apply only to customers with a load that exceeds a demand threshold established by the commission based on the size of loads that significantly impact transmission needs in the ERCOT power region. The commission shall establish a demand threshold of 75 megawatts unless the commission determines that a lower threshold is necessary to accomplish the purposes described by Subsection (a).

(c)  The standards must 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. The commission by rule shall prohibit an electric utility or municipally owned utility from selling, sharing, or disclosing information submitted to the utility under this subsection.

(d)  The standards must require each interconnected large load customer to disclose to the independent organization certified under Section 39.151 for the ERCOT power region information about the customer's on-site backup generating facilities. To achieve firm load shed during an energy emergency alert, the independent organization certified under Section 39.151 for the ERCOT power region may, after reasonable notice, 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. This subsection does not:

(1)  authorize a violation of any emissions limitation in state or federal law or a violation of any other environmental regulation; or

(2)  prohibit a large load from participating in a service authorized by Section 39.170(b).

(e)  The standards must 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). Any unused portion of the initial transmission screening study fee must be applied as a credit toward security for procurement or interconnection agreements at the same geographic site.

(f)  The standards must 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 the commission.

(g)  The standards must 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. The standards must provide that satisfactory proof of financial commitment may include:

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

(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 commission.

(h)  Security provided under Subsection (g)(1) must 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 commission.

(i)  The commission may not limit 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.  Section 39.002, Utilities Code, is amended to read as follows:

Sec. 39.002.  APPLICABILITY. This chapter, other than Sections 39.151, 39.1516, 39.155, 39.157(e), 39.161, 39.162, 39.163, 39.169, 39.170, 39.203, 39.9051, 39.9052, and 39.914(e), and Subchapters M and N, does not apply to a municipally owned utility or an electric cooperative. Sections 39.157(e) and 39.203 apply only to a municipally owned utility or an electric cooperative that is offering customer choice. If there is a conflict between the specific provisions of this chapter and any other provisions of this title, except for Chapters 40 and 41, the provisions of this chapter control.

SECTION 5.  Subchapter D, Chapter 39, Utilities Code, is amended by adding Sections 39.169 and 39.170 to read as follows:

Sec. 39.169.  CO-LOCATION OF RETAIL CUSTOMER WITH EXISTING GENERATION RESOURCE. (a) A power generation company, municipally owned utility, or electric cooperative must submit a notice to the commission 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)  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)  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.

(d)  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 commission receives the notice under Subsection (a), the commission shall approve, deny, or impose reasonable conditions on a proposed net metering arrangement described by Subsection (a) as necessary to maintain system reliability. The conditions may include requirements:

(1)  that behind-the-meter load ramp down during certain events;

(2)  that generation reenter energy markets in the ERCOT power region during certain events; and

(3)  that the generation resource will be held liable for stranded or underutilized transmission assets resulting from the behind-the-meter operation.

(e)  If the commission 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 commission is considered to have approved the arrangement.

Sec. 39.170.  LARGE LOAD DEMAND MANAGEMENT SERVICE. (a) The commission shall 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. This subsection applies only to a load interconnected after December 31, 2025, that is not:

(1)  load operated by a critical load industrial customer, as defined by Section 17.002; or

(2)  designated as a critical natural gas facility under Section 38.074.

(b)  The commission shall 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. The service must provide at least a 24-hour notice to large load customers that participate in the service and shall 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. A large load customer may not offer 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) The Public Utility Commission of Texas shall evaluate whether the existing methodology used to allocate wholesale transmission costs to distribution providers under Section 35.004(d), Utilities Code, continues to appropriately assign costs for transmission investment. The commission shall also evaluate whether:

(1)  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

(2)  alternative methodologies should be considered.

(b)  The Public Utility Commission of Texas shall 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. If the commission determines in the project that a commission rule should be amended, the commission shall adopt the final rule not later than December 31, 2026.

SECTION 7.  This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2025.