

By: Bell of Montgomery

H.B. No. 2303

A BILL TO BE ENTITLED

AN ACT

relating to electric market payments for and an exemption from sales and use taxes for customer-sited distributed generation.

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

SECTION 1. Subchapter H, Chapter 151, Tax Code, is amended by adding Section 151.360 to read as follows:

Sec. 151.360. CERTAIN STANDBY ELECTRIC POWER DEVICES.

(a) In this section, "standby electric power device" means a non-portable device capable of supplying electric power to the structure or facility at which it is permanently installed in the event of a power grid outage.

(b) A device that has a rated capacity to supply less than 200 kilowatts that is purchased with the intent that it be permanently installed and connected to the main electrical panel of a structure or facility by a manual or automatic transfer switch for use as a standby electric power device is exempt from the taxes imposed by this chapter.

(c) The comptroller by rule shall prescribe the manner by which a person who purchases a standby electric power device must establish that the person is entitled to the exemption provided by this section.

SECTION 2. Subchapter Z, Chapter 39, Utilities Code, is amended by adding Section 39.9166 to read as follows:

Sec. 39.9166. AGGREGATED DISTRIBUTED GENERATION FACILITY

1 PROGRAM FOR DISPATCHABLE GENERATION. (a) In this section,
2 "customer-sited backup generation facility" means a distributed
3 generation facility in the ERCOT power region that is installed on a
4 retail electric customer's side of the meter:

5 (1) with a nameplate capacity of not more than 10
6 megawatts;

7 (2) that is capable of generating and providing backup
8 or supplementary power to the customer's premises and the power
9 grid; and

10 (3) that is capable of being dispatched by the
11 independent organization certified under Section 39.151 for the
12 ERCOT power region.

13 (b) This section does not apply to:

14 (1) a distributed natural gas generation facility
15 operated by a power generation company; or

16 (2) a distributed generation facility to which Section
17 35.037 applies.

18 (c) The commission shall establish an ancillary service
19 program to allow a retail electric provider, a municipally owned
20 utility that has not adopted customer choice, or an electric
21 cooperative that has not adopted customer choice to aggregate
22 customer-sited backup generation facilities to provide
23 dispatchable generation during a power grid outage if the
24 participation of the facilities in such a program is
25 technologically feasible.

26 (d) A retail electric provider, municipally owned utility,
27 or electric cooperative participating in the program shall provide

1 to the independent organization certified under Section 39.151 for
2 the ERCOT power region information about the facilities that the
3 independent organization determines is necessary for maintaining
4 system reliability.

5 (e) A customer that participates in the program is not
6 required to register as a power generation company solely because
7 of the person's participation in the program.

8 (f) The program may allow participating customers to sell
9 electric energy produced by customer-sited backup generation
10 facilities at:

11 (1) a value based on the clearing price of energy at
12 the time of day and at the location at which the electricity is
13 generated, including electric energy consumed on customer
14 premises; or

15 (2) another value as determined by the commission or
16 the independent organization certified under Section 39.151 for the
17 ERCOT power region.

18 (g) The sale may be applied as a credit to the customer's
19 account during a billing period that may be carried over to
20 subsequent billing periods until the credit has been redeemed.

21 (h) This section expires September 1, 2035.

22 SECTION 3. Section 151.360, Tax Code, as added by this Act,
23 does not affect tax liability accruing before the effective date of
24 this Act. That liability continues in effect as if Section 151.360,
25 Tax Code, had not been enacted, and the former law is continued in
26 effect for the collection of taxes due and for civil and criminal
27 enforcement of the liability for those taxes.

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1 SECTION 4. This Act takes effect September 1, 2025.