

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

1 recovery of transmission investment. Notwithstanding Section
2 36.054(a), if the commission determines that conditions warrant the
3 action, the commission may authorize the inclusion of construction
4 work in progress in the rate base for transmission investment
5 required by the commission under Section 39.203(e).

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

8 Sec. 36.010. MINIMUM TRANSMISSION CHARGE. To ensure that
9 all users of the transmission system in the ERCOT power region
10 contribute to transmission cost recovery, the commission shall
11 implement minimum rates that require all retail customers in that
12 region served behind-the-meter to pay retail transmission charges
13 based on a percentage of the customer's non-coincident peak demand
14 from the utility system as identified in the customer's service
15 agreement. A municipally owned utility or electric cooperative
16 that has not adopted customer choice shall pass through the minimum
17 wholesale transmission rate to the utility's or cooperative's
18 retail customers in a manner determined by the utility or
19 cooperative.

20 SECTION 3. Subchapter B, Chapter 37, Utilities Code, is
21 amended by adding Section 37.0561 to read as follows:

22 Sec. 37.0561. PLANNING REQUIREMENTS FOR LARGE LOADS. (a)
23 The commission by rule shall establish standards for
24 interconnecting large load customers at transmission voltage in the
25 ERCOT power region in a manner designed to support business
26 development in this state while minimizing the potential for
27 stranded infrastructure costs.

1 (b) The standards must apply only to customers with a load
2 that exceeds a demand threshold established by the commission based
3 on the size of loads that significantly impact transmission needs
4 in the ERCOT power region. The commission shall establish a demand
5 threshold of 75 megawatts unless the commission determines that a
6 lower threshold is necessary to accomplish the purposes described
7 by Subsection (a).

8 (c) The standards must require each large load customer
9 seeking interconnection to disclose to the interconnecting
10 electric utility or municipally owned utility whether the customer
11 is pursuing a duplicate request for electric service, inside or
12 outside this state, the approval of which would result in the
13 customer materially changing or withdrawing the interconnection
14 request. The commission by rule shall prohibit an electric utility
15 or municipally owned utility from selling, sharing, or disclosing
16 information submitted to the utility under this subsection.

17 (d) The standards must require each interconnected large
18 load customer to disclose to the independent organization certified
19 under Section 39.151 for the ERCOT power region information about
20 the customer's on-site backup generating facilities. To achieve
21 firm load shed during an energy emergency alert, the independent
22 organization certified under Section 39.151 for the ERCOT power
23 region may, after reasonable notice, direct the applicable electric
24 utility or municipally owned utility to require the large load
25 customer to deploy the customer's on-site backup generating
26 facility. This subsection does not:

27 (1) authorize a violation of any emissions limitation

1 in state or federal law or a violation of any other environmental
2 regulation; or

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

5 (e) The standards must set a flat study fee of at least
6 \$100,000 for initial transmission screening studies for large loads
7 above the minimum demand threshold determined under Subsection (b).
8 Any unused portion of the initial transmission screening study fee
9 must be applied as a credit toward security for procurement or
10 interconnection agreements at the same geographic site.

11 (f) The standards must include a method for a large load
12 customer to demonstrate that the customer controls the site where
13 the load will be located through an ownership interest or another
14 legal interest acceptable to the commission.

15 (g) The standards must include uniform financial commitment
16 standards for the development of transmission infrastructure
17 needed to serve a large load customer before an electric utility or
18 municipally owned utility may submit a project for review by ERCOT
19 based on the large load customer's demand. The standards must
20 provide that satisfactory proof of financial commitment may
21 include:

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

24 (2) security provided under an agreement that requires
25 a large load customer to pay for significant equipment or services
26 in advance of signing an agreement to establish electric delivery
27 service; or

1 (3) another form of financial commitment acceptable to
2 the commission.

3 (h) Security provided under Subsection (g)(1) must be
4 refunded, in whole or in part, as the large load customer meets the
5 customer's requested load ramp milestones and sustains operations
6 for a prescribed period of time as determined by the commission.

7 (i) The commission may not limit the authority of a
8 municipally owned utility or an electric cooperative to impose
9 retail electric service requirements for large load customers in
10 addition to the standards adopted under this section.

11 SECTION 4. Section 39.002, Utilities Code, is amended to
12 read as follows:

13 Sec. 39.002. APPLICABILITY. This chapter, other than
14 Sections 39.151, 39.1516, 39.155, 39.157(e), 39.161, 39.162,
15 39.163, 39.169, 39.170, 39.203, 39.9051, 39.9052, and 39.914(e),
16 and Subchapters M and N, does not apply to a municipally owned
17 utility or an electric cooperative. Sections 39.157(e) and 39.203
18 apply only to a municipally owned utility or an electric
19 cooperative that is offering customer choice. If there is a
20 conflict between the specific provisions of this chapter and any
21 other provisions of this title, except for Chapters 40 and 41, the
22 provisions of this chapter control.

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

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

1 commission and the independent organization certified under
2 Section 39.151 for the ERCOT power region before implementing a new
3 net metering arrangement between a facility registered with the
4 independent organization as a generation resource and an
5 unaffiliated retail customer if:

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

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

11 (b) For the purposes of Subsection (a)(2), nameplate
12 capacity from dispatchable thermal generation is considered to be
13 replaced only if the replacement capacity is from dispatchable
14 thermal generation.

15 (c) The new net metering arrangement must be requested or
16 consented to by the electric cooperative, electric utility, or
17 municipally owned utility certificated to provide retail electric
18 service at the location.

19 (d) With input from the independent organization certified
20 under Section 39.151 for the ERCOT power region, not later than the
21 180th day after the date the commission receives the notice under
22 Subsection (a), the commission shall approve, deny, or impose
23 reasonable conditions on a proposed net metering arrangement
24 described by Subsection (a) as necessary to maintain system
25 reliability. The conditions may include requirements:

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

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

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

6 (e) If the commission does not approve, deny, or impose
7 reasonable conditions on a proposed net metering arrangement
8 before the expiration of the deadline established by Subsection
9 (d), the commission is considered to have approved the arrangement.

10 Sec. 39.170. LARGE LOAD DEMAND MANAGEMENT SERVICE. (a) The
11 commission shall require the independent organization certified
12 under Section 39.151 for the ERCOT power region to ensure that each
13 electric cooperative, electric utility, and municipally owned
14 utility serving a transmission-voltage large load customer that is
15 subject to the standards adopted under Section 37.0561 installs, or
16 requires to be installed, before the customer is interconnected,
17 equipment that allows the load to be remotely disconnected during
18 firm load shed. This subsection applies only to a load
19 interconnected after December 31, 2025, that is not:

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

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

24 (b) The commission shall require the independent
25 organization certified under Section 39.151 for the ERCOT power
26 region to develop a reliability service to competitively procure
27 demand reductions from large load customers subject to the

1 standards adopted under Section 37.0561 in advance of a projected
2 energy emergency alert event. The service must provide at least a
3 24-hour notice to large load customers that participate in the
4 service and shall require each participating large load to remain
5 curtailed for the duration of the energy emergency alert event or
6 until the load can be recalled safely. A large load customer may
7 not offer for the service megawatts that curtail in response to the
8 wholesale price of electricity, as determined by the independent
9 organization certified under Section 39.151 for the ERCOT power
10 region, or that otherwise participate in a different reliability or
11 ancillary service.

12 SECTION 6. (a) The Public Utility Commission of Texas shall
13 evaluate whether the existing methodology used to allocate
14 wholesale transmission costs to distribution providers under
15 Section 35.004(d), Utilities Code, continues to appropriately
16 assign costs for transmission investment. The commission shall
17 also evaluate whether:

18 (1) the current methodology, including the four
19 coincident peak methodology, for allocating transmission costs by
20 transmission and distribution utilities in the ERCOT power region
21 to their customer classes results in a just and reasonable
22 allocation; or

23 (2) alternative methodologies should be considered.

24 (b) The Public Utility Commission of Texas shall open a
25 rulemaking project regarding the evaluation required under
26 Subsection (a) of this section not later than the 90th day after the
27 effective date of this Act. If the commission determines in the

1 project that a commission rule should be amended, the commission
2 shall adopt the final rule not later than December 31, 2026.

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