

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 29, 2025

TO: Honorable Ken King, Chair, House Committee on State Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3374 by Patterson (Relating to electricity pricing rules and operating procedures that eliminate or compensate for market distortion caused by certain federal tax credits.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3374, As Introduced: a negative impact of (\$1,409,054) through the biennium ending August 31, 2027.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	(\$704,527)
2027	(\$704,527)
2028	(\$704,527)
2029	(\$704,527)
2030	(\$704,527)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	<i>Change in Number of State Employees from FY 2025</i>
2026	(\$704,527)	5.0
2027	(\$704,527)	5.0
2028	(\$704,527)	5.0
2029	(\$704,527)	5.0
2030	(\$704,527)	5.0

Fiscal Analysis

This bill would amend the Utilities Code requiring the Public Utility Commission of Texas (PUC) and the Electric Reliability Council of Texas (ERCOT) to adopt rules, procedures, and protocols to eliminate, or compensate for, any wholesale electricity price distortions caused by the Production Tax Credit (PTC), a federal renewable energy tax credit. The bill also would require elimination of any rules, procedures, or protocols that adjust electricity prices to reflect the value of reserves at different levels.

Methodology

Based on the analysis of PUC, the requirement to remove processes that adjust prices to reflect the value of reserves could be interpreted as requiring elimination of the Operating Reserve Demand Curve (ORDC). The ORDC is the foundation of the Ancillary Service Demand Curves (ASDCs) for Real-Time Co-Optimization (RTC). Implementation of this bill would require significant modifications to the ASDCs, as well as to the implementation of RTC. This represents a significant change to the ERCOT market and additional staff at PUC would be needed to to implement the changes.

This estimate assumes PUC would require 5.0 additional full-time to implement provisions of the bill. Two Attorney III-IV (\$115,500 per year with estimated benefits of \$32,825), two Economist III (\$99,000 per year with estimated benefits of \$28,136), and lastly a Project Manager III (\$100,000 per year with estimated benefits of \$28,420) would be required for complex rulemakings, collaborating with ERCOT on implementation of required changes, and the resulting effects on the ORDC, ASDC, and (RTC). Other associated costs include \$11,685 per year for payroll contributions, travel and other operating expenses.

Technology

PUC anticipates information technology expenditures of \$13,500 each year.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 473 Public Utility Commission of Texas

LBB Staff: JMc, WP, GDZ, JBel