

SUBJECT: Revising certification requirements for certain transmission projects

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 12 ayes — Paddie, Hernandez, Deshotel, Harless, Howard, Hunter, P. King, Metcalf, Raymond, Shaheen, Slawson, Smithee

0 nays

1 absent — Lucio

WITNESSES: For — Jean Ryall, Advanced Power Alliance; Dan Boezio, AEP Texas; Jason Ryan, CenterPoint Energy; (*Registered, but did not testify*: Leslie Pardue, Clearway Energy; Carrie Simmons, Conservative Texans for Energy Innovation; Royce Poinsett, Duke Energy Renewables; Eric Wright, EDP Renewables; Michael Jewell and Mike Meroney, Enel North America; Catherine Fraser, Environment Texas; Shannon Ratliff, Invenergy, LLC; Mark Stover, McGuireWoods Consulting; Mindy Carr, Oncor; Michael Jewell, Pattern Energy and Solar Energy Industries Association; Lisa Hughes, RWE Renewables; Lara Keel, Savion, LLC; Jim Grace, Scout Clean Energy, Onward Energy, and Copenhagen Infrastructure Services Co.; Cyrus Reed, Sierra Club Lone Star Chapter; Carl Richie, Texas Advanced Energy Business Alliance; Jason Modglin, Texas Alliance of Energy Producers; John Pitts, Texas Solar Power Association; and six individuals)

Against — Katie Coleman, Texas Association of Manufacturers; Michele Richmond, Texas Competitive Power Advocates; (*Registered, but did not testify*: Dorothy Ann Compton; Idona Griffith)

On — Stephen Robertson, Permian Basin Petroleum Association; Carrie Bivens, Potomac Economics; Connie Corona, Public Utility Commission of Texas

BACKGROUND: Utilities Code sec. 37.051 prohibits an electric utility from providing service to the public under a franchise or permit unless the utility first

obtains a certificate stating that the public convenience and necessity requires or will require the installation, operation, or extension of the service. Under sec. 37.056, the Public Utility Commission (PUC) must make certain considerations before granting a certificate.

Sec. 39.904 requires PUC to designate competitive renewable energy zones (CREZ) throughout the state in areas in which renewable energy resources and suitable land areas are sufficient to develop generating capacity.

DIGEST:

CSHB 1607 would require the ERCOT organization to identify critical designation transmission infrastructure projects, revise certain requirements for applications for certificates of public convenience and necessity, and repeal certain statutes regarding CREZs.

Critical designation transmission infrastructure projects. The bill would require the ERCOT organization, by December 30, 2021, to identify and submit to the Public Utility Commission (PUC) critical designation transmission infrastructure projects and the electric utilities or transmission and distribution utilities that would construct and operate the projects.

The projects would have to facilitate a timely and targeted expansion of the ERCOT grid for the purposes of:

- resolving existing interzonal and intrazonal transmission constraints, congestion, or curtailments, including generic transmission constraints; and
- ensuring the future reliability of the ERCOT grid.

The bill would specify that to the extent possible, projects should be cost-effective and designed to transmit high volumes of electricity efficiently, minimize the need for the acquisition of new rights-of-way, and be designed to accommodate new solutions and reduce present or future constraints and congestion.

The ERCOT organization would have to identify a project addressing an interzonal constraint or intrazonal congestion in an area as a critical designation transmission infrastructure project if the constraint or congestion had been present for at least three years and the area experienced related constraint or congestion costs of at least \$100 million per year.

The ERCOT organization could consult with its market participant segments and other stakeholders to identify projects that could facilitate the growth of the state economy or oil and gas, commercial, and industrial development that could provide substantial tax revenue, landowner income, or jobs.

No later than 450 days after the date the ERCOT organization submitted the description of a project to PUC, the utility that would construct and operate the project would have to submit to PUC an application for a certificate of public convenience and necessity. In considering the application, PUC would not have to consider the adequacy of existing funding and the need for additional service.

This section would expire September 1, 2030.

Certificate of convenience and necessity. CSHB 1607 would require an application for a certificate for a transmission project serving the ERCOT region to include a comparison of the levelized estimated cost and cost savings of the project and the economic benefits that could result. PUC would have to include with its decision to grant or deny the certificate its findings on the comparison. The comparison would have to account for:

- the probable improvement of service and reduction of costs for consumers;
- an estimated value of the reduction in constraint, congestion, and curtailment costs;
- an estimation of reduced transmission losses;
- whether the project would provide improved access to ERCOT for new generation facilities and the related benefits;

- an estimation of the reduced future transmission investment costs;
- an estimation of the costs of certain projects that could be avoided;
and
- an estimation of direct economic benefits that could be realized
from the project.

PUC could not grant a certificate if the application did not include the comparison unless PUC found that the project was needed to support a reliable and adequate transmission network, facilitate wholesale competition, or minimize curtailments due to constraints and congestion. At least once per year, the ERCOT organization would have to identify transmission projects meeting such findings.

CREZ requirements repealed. CSHB 1607 would repeal the requirements for PUC to designate competition renewable energy zones (CREZs) throughout Texas and to develop a plan to construct transmission capacity necessary to delivery electricity to customers in these zones.

Applicability, effective date. The recovery of a transmission facility investment made by an electric utility to serve a CREZ would be governed by the law in effect on the date the facility was placed in service.

The bill would take effect September 1, 2021, and would apply only to a proceeding affecting a certificate of public convenience and necessity commenced on or after that date.

**SUPPORTERS
SAY:**

CSHB 1607 would improve the overall transmission system in the ERCOT grid by revising the criteria the ERCOT organization and the Public Utility Commission (PUC) use to plan and approve transmission projects, helping ensure that Texas has the electric generation capacity it will need to prosper in the future. Currently, the lack of transmission capacity prevents the delivery of power to homes and businesses, and growing congestion and curtailment issues further constrain services. The bill would create a more holistic review process and promote projects that would increase transmission capacity and decrease congestion by revising

the criteria ERCOT and PUC use in transmission planning and approval processes. By expediting these projects, the bill would improve service, reduce costs for customers and market participants, and promote reliability and efficiency. Reliable transmission has become vitally important, as revealed by the effects of the widespread power outages in February during Winter Storm Uri, and this bill would help ensure that Texans were able to access generated power and keep the lights on.

**CRITICS
SAY:**

CSHB 1607 would allow for the expansion of ratepayer-backed transmission projects that may not meet established standards for reliability or economic justification or state policy goals. If ERCOT and PUC found such projects necessary, they already would have been approved through the existing system. The bill would lower standards for the approval of transmission projects that would relieve congestion for generators, requiring customers to subsidize the costs of generators who built facilities in risky locations and wanted to extend transmission to connect to the market. Such risks and costs should be borne by the generator, not the customer.