

**SUBJECT:** Capping costs from interconnection of certain electric generation facilities

**COMMITTEE:** State Affairs — favorable, without amendment

**VOTE:** 7 ayes — Paddie, Harless, Hunter, P. King, Metcalf, Shaheen, Slawson

5 nays — Hernandez, Deshotel, Howard, Lucio, Raymond

1 present not voting — Smithee

**SENATE VOTE:** On final passage, April 19 — 18-13 (Alvarado, Blanco, Eckhardt, Gutierrez, Johnson, Menéndez, Miles, Perry, Powell, Seliger, West, Whitmire, Zaffirini)

**WITNESSES:** No public hearing.

**BACKGROUND:** Utilities Code sec. 35.004(d) requires the Public Utility Commission of Texas to 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 divided by the total demand placed on the combined transmission systems of all such transmission-owning utilities within a power region.

Sec. 35.152(a) states that electric energy storage equipment or facilities that are intended to be used to sell energy or ancillary services at wholesale are generation assets.

Interested parties note that because generators do not pay for interconnection costs, they are not incentivized to look for the best locations to interconnect new resources efficiently and often choose land that is distant from the consumers they wish to serve, resulting in millions of dollars in costs to the system for consumers. Suggestions have been made to cap the amount of capital costs incurred to interconnect generation resources and electric energy storage resources with the ERCOT transmission system and require that any excess costs be borne

directly by the applicable generation resource or electric storage resource.

**DIGEST:** SB 1282 would require the Public Utility Commission (PUC) by rule to establish a reasonable allowance for capital costs incurred to interconnect generation resources and electric energy storage resources under Utilities Code sec. 35.152(a) with the ERCOT transmission system, which would have to include costs of direct interconnection of the generator to the system and upgrades directly caused by the interconnection. Any costs that exceeded the allowance would have to be borne directly by the generation resource or electric energy storage resource receiving interconnection service through the facilities.

The bill would require PUC to 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 that exceeded the allowance specified in the bill, divided by the total demand placed on the combined transmission systems of all such transmission-owning utilities within a power region.

The bill would take effect September 1, 2021.

**NOTES:** The House companion bill, HB 4502 by Vasut, was considered by the House State Affairs Committee in a public hearing on April 8 and left pending.