

BILL ANALYSIS

Senate Research Center

S.B. 1941
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Since the unbundling of the electric market in ERCOT into distinct retail, generation, and transmission and distribution business segments, new technologies have developed in dockets before the Public Utility Commission of Texas (PUC), power generation companies, and Transmission and Distributions Utilities and have discussed the proper use of these devices.

PUC, in its 2019 Scope of Competition Report to the 86th Legislature, has asked for guidance from the legislature regarding the ownership and deployment of battery storage devices in the uniquely structured ERCOT market, and this bill puts forward ownership guidelines that would allow for these devices to also be used for the purpose of transmission reliability issues.

As proposed, S.B. 1941 amends current law relating to the use of electric energy storage facilities in the ERCOT power region.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 2 (Section 35.153, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 35.151, Utilities Code as follows:

- (a) Creates this subsection from existing text and makes no further changes to this subsection.
- (b) Provides that this subchapter (Electric Energy Storage) does not apply to ownership or operation of electric energy storage equipment or facilities outside of ERCOT.

SECTION 2. Amends Subchapter E, Chapter 35, Utilities Code, by adding Section 35.153, as follows:

Sec. 35.153. USE OF ELECTRIC ENERGY STORAGE FACILITIES FOR DISTRIBUTION SYSTEM RELIABILITY. (a) Authorizes a transmission and distribution utility, with prior approval by the Public Utility Commission of Texas (PUC) and to ensure reliable service to retail customers, to enter into an agreement with a power generation company to provide electricity from an energy storage facility.

- (b) Provides that an agreement under Subsection (a) is limited to situations where construction of traditional distribution facilities is not cost-effective when compared to the use of an energy storage facility.
- (c) Requires a transmission and distribution utility to issue a request for proposals to provide electricity from an energy storage facility to meet specific reliability needs.
- (d) Authorizes the energy storage facility to be used to offer or sell electric energy or ancillary services so long as the power generation company reserves the

capacity required by the agreement with the transmission and distribution utility.

(e) Authorizes the energy storage facility to be discharged for reliability purposes only when and as directed by the transmission and distribution utility.

(f) Authorizes an agreement under Subsection (a) to provide that the energy storage facility owner will reimburse the transmission and distribution utility for an administrative penalty PUC assessed because the facility failed to meet the requirements of the agreement.

(g) Requires an agreement between a transmission and distribution utility and a power generation company that owns an energy storage facility to be reviewed in a proceeding under Chapter 36 (Rates). Provides that the transmission and distribution utility has the burden of establishing that the agreement, including associated costs, is reasonable and necessary.

(h) Authorizes the transmission and distribution utility, if a transmission and distribution utility issues a request for proposals to provide electricity from an energy storage facility to meet specific reliability needs and does not receive an offer that meets the requirements of the request for proposals, then, with prior approval by PUC, to own and operate an energy storage facility to ensure reliable delivery of electricity to retail customers. Provides that the total amount of energy storage capacity owned by a single transmission and distribution utility for this purpose may not exceed 10 megawatts.

(i) Requires the transmission and distribution utility that owns or operates an energy storage facility in accordance with Subsection (h) to purchase the energy to charge the facility from a retail electric provider and sell the energy discharged from the energy storage device to the same retail electric provider.

(j) Prohibits an energy storage facility described by Subsection (h) from being used to offer or sell electric energy or ancillary services except for sales to the retail electric provider that serves the transmission and distribution utility's energy storage facility when needed to ensure reliable service to retail customers.

(k) Provides that transmission and distribution utility that owns or operates an energy storage facility in accordance with Subsection (h) is not a power generation company.

(l) Requires PUC to adopt rules establishing criteria:

(1) for agreements under Subsection (a), which must include the requirements of Subsections (b)-(f); and

(2) for ownership and operation of energy storage facilities by transmission and distribution utilities under Subsection (h), including the recovery of associated costs.

SECTION 3. Requires PUC to adopt rules required under Section 35.153, Utilities Code, as added by this Act, as soon as practicable after the effective date of this Act.

SECTION 4. Effective date: September 1, 2019.