

BILL ANALYSIS

C.S.S.B. 1281
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State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

In the Electric Reliability Council of Texas (ERCOT), customers pay for all electric transmission facilities. Generators in ERCOT do not pay for any transmission costs, nor do any other market participants. However, the current economic transmission planning test fails to accurately measure whether a transmission project will save customers more money in congestion costs than the costs of the project. When a region of Texas has limited transmission access, customers experience high prices known as congestion costs. Congestion costs occur when only close-proximity generators are able to deliver power to customers in a particular area. Lower-cost generators in other areas of Texas could serve those customers, with additional transmission access, but there are not enough lines to serve the load. The existing economic planning test for transmission in ERCOT measures savings in production costs, which are the actual fuel costs required for generators to run and are not the same as the market clearing price. It has been suggested that this sort of test does not make sense in ERCOT since customers do not pay fuel or production costs directly, but pay the market clearing price. A test to identify a transmission project that saves customers more than it costs existed roughly a decade ago, known as the "consumer impact test," but it was eliminated by Public Utility Commission of Texas rule in 2011. This bill is intended to address these concerns and improve the planning process for both economic and reliability projects to improve service to customers. C.S.S.B. 1281 seeks to reduce costs and improve reliability by providing for a reliability assessment of the ERCOT power grid and revising provisions relating to certificates of public convenience and necessity for certain transmission projects. C.S.S.B. 1281 also seeks to improve the transmission planning process for reliability projects by requiring the independent organization to consider a broader range of load forecasts and potential renewable generation scenarios, and to conduct an annual grid assessment of reliability under extreme weather conditions. The bill also exempts transmission projects that are under three miles, where a route has been agreed upon, and where all right-of-way has been purchased, from lengthy permitting processes that can delay service extensions with the goal of ensuring that transmission is built to provide reliability to customers on a more timely basis and under a reasonable range of potential scenarios.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.S.B. 1281 amends the Utilities Code to establish that an electric utility is not required to amend the utility's certificate of public convenience and necessity to construct a transmission line that connects the utility's existing transmission facilities to a load-serving substation or metering point under the following conditions:

- the transmission line does not exceed three miles in length;
- each landowner whose property would be directly affected by the transmission line, as provided by rules of the Public Utility Commission of Texas (PUC), provides written consent for the transmission line; and
- all rights-of-way necessary for construction of the transmission line have been purchased.

C.S.S.B. 1281 requires the PUC, in considering the need for additional service when granting a certificate of public convenience and necessity for a reliability transmission project that serves the ERCOT power region, to consider the following:

- historical load, forecasted load growth, and additional load currently seeking interconnection; and
- security constrained optimal power flows for a reasonable range of power generation dispatch scenarios, including reliability limitations in serving load during high and low renewable generation output.

The bill specifies that the comparison of the estimated cost of a transmission project and cost savings that may result from the project that must be included in the PUC criteria for granting a certificate for a transmission project that serves the ERCOT power region, that is not necessary to meet state or federal reliability standards, and that is not included in a plan for constructing transmission capacity necessary to deliver electric output to customers from renewable energy technologies in the competitive renewable energy zones is a comparison of the estimated cost for consumers and the estimated congestion cost savings for consumers. The bill further specifies that this comparison is considering both current and future expected congestion levels and the transmission project's ability to reduce those congestion levels.

C.S.S.B. 1281 requires the independent organization certified to perform certain essential market functions for the ERCOT power region to conduct an annual assessment of the ERCOT power grid to assess the grid's reliability in extreme weather scenarios. Each assessment must consider the impact of different levels of thermal and renewable generation availability and recommend transmission projects that may increase the grid's reliability in extreme weather scenarios.

EFFECTIVE DATE

September 1, 2021.

COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE

While C.S.S.B. 1281 may differ from the engrossed in minor or nonsubstantive ways, the following summarizes the substantial differences between the engrossed and committee substitute versions of the bill.

The substitute includes the following provisions, which were not included in the engrossed:

- a requirement for the PUC to consider certain factors when considering the need for additional service when granting a certificate of public convenience and necessity for a reliability transmission project that serves an ERCOT power region, specifically:
 - historical load, forecasted load growth, and additional load currently seeking interconnection; and
 - security constrained optimal power flows for a reasonable range of power generation dispatch scenarios, including reliability limitations in serving load during high and low renewable generation output;

- a specification that the comparison of the project's estimated cost and estimated cost savings for consumers included in the criteria the PUC establishes for granting a certificate for certain transmission projects is considering both current and future expected congestion levels and the transmission project's ability to reduce those congestion levels and that the estimated cost savings are estimated congestion cost savings; and
- provisions requiring the independent organization certified to perform certain essential market functions for the ERCOT power region to conduct a certain annual grid reliability assessment of the ERCOT power grid and establishing requirements for that assessment.