

## **BILL ANALYSIS**

Senate Research Center  
86R24239 BRG-F

C.S.S.B. 1941  
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Business & Commerce  
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Committee Report (Substituted)

### **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.

The 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. (Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 1941 amends current law 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:

Sec. 35.151. ELECTRIC ENERGY STORAGE. Provides that this subchapter (Electric Energy Storage) applies only to the ownership or operation of electric energy storage equipment or facilities in the ERCOT power region that are intended to, rather than applies to electric energy storage equipment or facilities that are intended to:

- (1) creates this subdivision from existing text and makes a nonsubstantive change;  
or
- (2) provide reliable delivery of electric energy to retail customers.

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

Sec. 35.153. CONTRACTS FOR ELECTRIC ENERGY STORAGE FOR RELIABILITY SERVICES. (a) Authorizes a transmission and distribution utility, with the approval of the Public Utility Commission of Texas (PUC), to contract with the owner or operator of an electric energy storage facility to provide electric energy from an electric energy storage facility to ensure reliable service to retail customers.

- (b) Prohibits the PUC from authorizing ownership of an electric energy storage facility by a transmission and distribution utility.

(c) Requires the transmission and distribution utility, before entering into a contract under Subsection (a), to issue a request for proposals for use of an electric energy storage facility to meet the utility's reliability needs.

(d) Authorizes a transmission and distribution utility to enter into a contract under Subsection (a) only if use of an electric energy storage facility is more cost-effective than construction or modification of traditional distribution facilities.

(e) Prohibits a transmission and distribution utility from entering into a contract under Subsection (a) that reserves an amount of capacity exceeding the amount of capacity required to ensure reliable service to the utility's retail customers.

(f) Authorizes an owner or operator of an electric energy storage facility subject to a contract under Subsection (a) to sell electric energy or ancillary services through use of the facility only to the extent that the owner or operator reserves capacity as required by the contract.

(g) Prohibits an owner or operator of an electric energy storage facility subject to a contract under Subsection (a) from discharging the facility for reliability purposes unless directed by the transmission and distribution utility.

(h) Requires a contract under Subsection (a) to require an owner or operator of an electric energy storage facility to reimburse a transportation and distribution utility for the costs of administrative penalties assessed against the utility for a violation caused by the facility's failure to meet the requirements of the agreement.

(i) Requires a regulatory authority, in establishing the rates of a transmission and distribution utility, to review a contract between the utility and an owner or operator of an electric energy storage facility under Subsection (a). Provides that the utility has the burden of proof to establish that the costs of the contract are reasonable and necessary. Authorizes the regulatory authority to authorize a transmission and distribution utility to earn a reasonable return on the present value of future payments required under the contract.

(j) Prohibits the total amount of electric energy storage capacity reserved by contracts under Subsection (a) from exceeding 40 megawatts. Requires the PUC to by rule establish the maximum amount of electric energy storage capacity allotted to each transmission and distribution utility.

(k) Requires the PUC to adopt rules as necessary to implement this section and establish criteria for approving contracts under Subsection (a).

SECTION 3. Requires the 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.