

## **BILL ANALYSIS**

Senate Research Center  
87R16568 JXC-F

C.S.S.B. 3  
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Jurisprudence  
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Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

#### Background

Since Winter Storm Uri, legislators have heard hours of testimony from industry stakeholders and agency leadership regarding the Texas power grid's failure to supply enough power to meet demand. The most consequential and repeatedly mentioned problems include a lack of oversight, a breakdown of communication, and major failures in coordination within and between Texas' regulatory agencies. The proposed changes in S.B. 3 are an important step to ensure we have a reliable electricity grid and to strengthen the state's prevention of and preparation for energy emergencies.

#### Key Provisions of S.B. 3, as filed

- Establishes an energy emergency alert system to ensure Texans are properly notified when power demand may exceed supply, and directs the Texas Division of Emergency Management (TDEM) to categorize winter storms similarly to how hurricanes are categorized.
- Formalizes the Texas Energy Reliability Council (TERC) and its duties related to ensuring the state's natural gas needs are met.
- Requires the weatherization of all generation, transmission, and natural gas facilities and pipelines within the State of Texas. Failure to comply can result in a penalty of \$1,000,000 per day. Generators, natural gas well heads, pipelines, and compression units that experience weatherization failures will be required to obtain a third-party assessment of weatherization plans, procedures, and operations (third-party audit).
- Ensures energy customers (including natural gas generators) are informed about procedures for rolling blackouts, including criteria for designation as a critical customer or critical load. Provides for more robust planning and oversight of load shedding during a rolling blackout, including geographic seasonal use variations.
- Requires generators to obtain approval before conducting maintenance during summer and winter peaks.
- Requires wind and solar power generators to meet reliability standards by committing to providing a specific load, set by the generator.
- Prohibits retail electric variable rate plans.
- Directs the Public Utility Commission of Texas (PUC) to establish an emergency system wide offer cap.
- Strengthens reporting related to on-site generation to ensure the Electric Reliability Council of Texas (ERCOT) has a full picture of power generation in Texas.
- Requires utility providers to defer collection of bills during an extreme weather emergency and to work with customers to establish pay schedules.
- Directs the creation of a State Energy Plan.

#### Committee Substitute

- Changes references from "blackout alert" to "power outage alert" and directs PUC to adopt specific criteria for when to issue alerts.
- Directs the use of the National Weather Service's Winter Storm Severity Index (WSSI) to categorize winter storms instead of directing TDEM to develop categories.

- Redefines the membership and duties of TERC and directs the council to map the energy supply chain.
- Directs the Railroad Commission of Texas (RRC) to use supply chain mapping to write appropriate weatherization rules.
- Changes "rolling blackout" throughout to "involuntary load shedding."
- Directs RRC and the PUC to create penalty matrixes to ensure the \$1 million penalty cap is focused on extreme violations and not simple violations like paperwork errors.
- Gives the PUC and RRC the authority to require facilities to implement appropriate recommendations identified in a third-party assessment triggered by a weatherization failure.
- Removes language requiring PUC approval before summer and winter peak maintenance because ERCOT already does this.
- Makes changes for clarity in Section 15 regarding load shed planning and communication.
- Prohibits wholesale index plans rather than all variable rate plans.
- Removes the language related to wind and solar load commitment.
- Directs ERCOT to procure ancillary services sufficient to manage reliability impacts of intermittent generation resources and assign the costs to these generators.
- States that the emergency system-wide offer cap must be based on actual costs of generation, and that the emergency cap is only activated after 12 hours at the non-emergency cap.
- Provides that the price of ancillary services may not exceed 150 percent of the emergency high system-wide offer cap in effect at the time.
- Directs the PUC to review price caps every five years. First review must be completed by 2022.
- Requires the PUC and RRC to review and accept annual emergency operation plans from all parties along the supply chain.
- Requires retail public utilities, exempt utilities, and providers or conveyors of potable or raw water that furnish water service to more than one customer to provide emergency preparedness plans to be approved by the Texas Commission on Environmental Quality.

C.S.S.B. 3 amends current law relating to preparing for, preventing, and responding to weather emergencies and power outages, and increases the amount of administrative and civil penalties.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the public safety director in SECTION 1 (Section 411.302, Government Code) of this bill.

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 1 (Section 411.301, Government Code), SECTION 8 (Section 17.003, Utilities Code), SECTION 12 (Section 35.0021, Utilities Code), SECTION 14 (Sections 38.074 and 38.075, Utilities Code), and SECTION 16 (Section 39.159, Utilities Code) of this bill.

Rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 4 (Section 86.044, Natural Resources Code), SECTION 5 (Section 86.222, Natural Resources Code), SECTION 18 (Section 105.023, Utilities Code), SECTION 19 (Section 121.2015, Utilities Code), and SECTION 23 (Section 186.008, Utilities Code) of this bill.

Rulemaking authority is expressly granted to the Texas Commission on Environmental Quality in SECTION 26 (Section 13.414, Water Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 411, Government Code, by adding Subchapter K-1, as follows:

#### **SUBCHAPTER K-1. POWER OUTAGE ALERT**

Sec. 411.301. POWER OUTAGE ALERT. (a) Requires the Department of Public Safety of the State of Texas (DPS), with the cooperation of the Texas Department of

Transportation (TxDOT), the Texas Division of Emergency Management (TDEM), the Office of the Governor, and the Public Utility Commission of Texas (PUC), to develop and implement an alert to be activated when the power supply in this state may be inadequate to meet demand.

(b) Requires the PUC by rule to adopt criteria for the content and activation of the alert described by Subsection (a). Requires that the criteria provide for an alert to be regional or statewide.

Sec. 411.302. ADMINISTRATION. (a) Provides that the public safety director (director) is the statewide coordinator of the power outage alert.

(b) Requires the director to adopt rules and issue directives as necessary to ensure proper implementation of the power outage alert. Requires that the rules and directives include the procedures to be used by the PUC and the independent organization certified under Section 39.151 (Essential Organizations), Utilities Code, to communicate with the director about the power outage alert.

Sec. 411.303. DEPARTMENT TO RECRUIT PARTICIPANTS. Requires DPS to recruit public and commercial television and radio broadcasters, private commercial entities, state or local governmental entities, the public, and other appropriate persons to assist in developing and implementing the power outage alert system.

Sec. 411.304. STATE AGENCIES. (a) Requires a state agency participating in the power outage alert system to cooperate with DPS and assist in developing and implementing the alert system, and to establish a plan for providing relevant information to its officers, investigators, or employees, as appropriate, once the power outage alert system has been activated.

(b) Requires TxDOT, in addition to its duties as a state agency under Subsection (a), to establish a plan for providing relevant information to the public through an existing system of dynamic message signs located across this state.

Sec. 411.305. ACTIVATION OF POWER OUTAGE ALERT. (a) Requires DPS, when the PUC or an independent organization certified under Section 39.151, Utilities Code, notifies DPS that the power supply in this state or a region of this state may be inadequate to meet demand, to confirm the accuracy of the information and, if confirmed, immediately issue a power outage alert under this subchapter in accordance with DPS rules.

(b) Requires DPS, in issuing the power outage alert, to send the alert to designated media outlets in this state. Authorizes participating radio stations and television stations and other participating media outlets to issue the alert at designated intervals following receipt of the alert.

Sec. 411.306. CONTENT OF POWER OUTAGE ALERT. Requires that the power outage alert include a statement that electricity customers may experience a power outage.

Sec. 411.307. TERMINATION OF POWER OUTAGE ALERT. Requires the director to terminate any activation of the power outage alert with respect to a particular energy emergency alert not later than the date DPS receives notice that the energy emergency alert has been canceled.

Sec. 411.308. LIMITATION ON PARTICIPATION BY TEXAS DEPARTMENT OF TRANSPORTATION. Provides that, notwithstanding Section 411.305(b), TxDOT is not required to use any existing system of dynamic message signs in a statewide alert system created under this subchapter if TxDOT receives notice from the United States Department of Transportation Federal Highway Administration that the use of the signs

would result in the loss of federal highway funding or other punitive actions taken against this state due to noncompliance with federal laws, regulations, or policies.

SECTION 2. Amends Section 418.048, Government Code, as follows:

Sec. 418.048. MONITORING WEATHER. (a) Creates this subsection from existing text and makes no further changes.

(b) Requires TDEM to create a list of suggested actions for state agencies and the public to take to prepare for winter storms, organized by severity of storm based on the National Weather Service Storm Severity Index.

SECTION 3. Amends Chapter 418, Government Code, by adding Subchapter J, as follows:

#### SUBCHAPTER J. TEXAS ENERGY RELIABILITY COUNCIL

Sec. 418.301. DEFINITIONS. Defines "chief" and "council."

Sec. 418.302. COUNCIL ESTABLISHED. Establishes the Texas Energy Reliability Council (council) to ensure that the energy and electric industries in this state meet high priority human needs and address critical infrastructure concerns, and to enhance coordination and communication in the energy and electric industries in this state.

Sec. 418.303. MEMBERSHIP. (a) Provides that the council is composed of:

- (1) the chairman of the Railroad Commission of Texas (RRC);
- (2) the presiding officer of the PUC;
- (3) the chief executive of the Office of Public Utility Counsel;
- (4) the presiding officer of the Texas Commission on Environmental Quality (TCEQ);
- (5) the chair of the Texas Transportation Commission;
- (6) a person to represent the independent organization certified under Section 39.151, Utilities Code, for the ERCOT power region, appointed by the governor;
- (7) the chief of TDEM (chief);
- (8) five persons to represent participants in the natural gas supply chain in this state, appointed by RRC to represent as many types of participants as possible;
- (9) five persons to represent the electric industry, appointed by the PUC, including one person to represent entities that provide dispatchable electric energy to the power grid in this state; one person to represent transmission and distribution utilities, as defined by Section 31.002 (Definitions), Utilities Code; one person to represent retail electric providers, as defined by Section 31.002, Utilities Code; one person to represent municipally owned utilities, as defined by Section 11.003, Utilities Code; and one person to represent electric cooperatives;
- (10) three persons to represent energy sectors not otherwise represented on the council, such as the non-dispatchable sources of energy, coal, or nuclear sectors, appointed by the PUC; and

(11) five persons to represent industrial concerns, appointed by the governor, including one person to represent motor fuel producers and one person to represent chemical manufacturers.

(b) Authorizes certain members of the council to designate a person from the member's agency to represent the member in any meeting.

(c) Authorizes the council to request that a person collaborate with the council to achieve the purposes described by Section 418.302.

Sec. 418.304. OFFICERS. (a) Requires the chief to serve as presiding officer of the council.

(b) Authorizes the council to select an assistant presiding officer and secretary from among its members.

Sec. 418.305. COMPENSATION; REIMBURSEMENT. Provides that a member of the council is not entitled to compensation or reimbursement of expenses for service on the council.

Sec. 418.306. MEETINGS. (a) Requires the council, after its initial meeting, to meet at least twice each year at a time and place determined by the chief.

(b) Authorizes the council to meet at other times the council considers appropriate. Authorizes the presiding officer to call a meeting on the officer's own motion.

Sec. 418.307. ADMINISTRATIVE SUPPORT. Requires TDEM to provide administrative support to the council.

Sec. 418.308. GENERAL DUTIES OF COUNCIL. (a) Requires the council to foster communication and planning to ensure preparedness for making available and delivering energy and electricity in this state to ensure that high priority human needs are met and critical infrastructure needs are addressed.

(b) Requires the council to foster communication and coordination between the energy and electric industries in this state.

Sec. 418.309. SUPPLY CHAIN MAP. Requires the council to:

(1) map the natural gas supply chain for this state in order to designate priority service needs during extreme weather events, including electric generation facilities powered by natural gas; and

(2) identify and designate the sources in the supply chain necessary to operate critical infrastructure, as defined by Section 421.001 (Definitions).

SECTION 4. Amends Subchapter C, Chapter 86, Natural Resources Code, by adding Section 86.044, as follows:

Sec. 86.044. WEATHER EMERGENCY PREPAREDNESS. (a) Defines "gas supply chain facility."

(b) Requires RRC by rule to require a gas supply chain facility operator to implement measures to prepare to operate during a weather emergency. Requires RRC, in adopting the rules, to take into consideration the supply chain map created under Section 418.309, Government Code.

(c) Requires RRC by rule to require an operator of a gas supply chain facility that experiences repeated or major weather-related forced interruptions of production

to contract with a person who is not an employee of the provider to assess the operator's weatherization plans, procedures, and operations, and to submit the assessment to RRC.

(d) Authorizes RRC to require an operator of a gas supply chain facility to implement appropriate recommendations included in an assessment submitted to RRC under Subsection (c).

(e) Requires RRC, if RRC determines that a person has violated a rule adopted under this section, to notify the attorney general of the violation. Requires the attorney general to initiate a suit to recover a penalty for the violation in the manner provided by Subchapter G (Enforcement; Judicial Review).

SECTION 5. Amends Section 86.222, Natural Resources Code, by adding Subsection (a-1), (c), and (d), as follows:

(a-1) Provides that, notwithstanding Subsection (a) (relating to the provision that any person who violates a provision, rule, or order of Chapter 86 is liable for certain penalties), a person who violates a provision of a rule adopted under Section 86.044 is liable for a penalty of not more than \$1,000,000 for each offense.

(c) Requires RRC by rule to establish a classification system to be used by a court under this subchapter for violations of rules adopted under Section 86.044 that includes a range of penalties that are authorized to be recovered for each class of violation based on:

(1) the seriousness of the violation, including the nature, circumstances, extent, and gravity of a prohibited act, and the hazard or potential hazard created to the health, safety, or economic welfare of the public;

(2) the history of previous violations;

(3) the amount necessary to deter future violations;

(4) efforts to correct the violation; and

(5) any other matter that justice may require.

(d) Requires that the classification system established under Subsection (c) provide that a penalty in an amount that exceeds \$5,000 is authorized to be recovered only if the violation is included in the highest class of violations in the classification system.

SECTION 6. Amends Section 15.023, Utilities Code, by adding Subsection (b-1), as follows:

(b-1) Authorizes the penalty for a violation of a provision of Subtitle B (Electric Utilities) to be in an amount not to exceed \$1,000,000 for a violation, notwithstanding Subsection (b) (relating to the maximum penalty amount for a violation under the Public Utility Regulatory Act). Provides that each day a violation continues or occurs is a separate violation for purposes of imposing a penalty.

SECTION 7. Amends Section 17.002, Utilities Code, to define "critical care residential customer" for Chapter 17 (Customer Protection).

SECTION 8. Amends Section 17.003, Utilities Code, by adding Subsections (d-1) and (e), as follows:

(d-1) Requires an electric utility providing electric delivery service for a retail electric provider, as defined by Section 31.002, to collaborate with the retail electric provider and the PUC to ensure that information about certain matters is periodically provided to the retail electric provider's retail customers together with bills sent to the customers.

(e) Requires the PUC by rule to require each retail electric provider to:

- (1) provide to the provider's customers clear and understandable information about the requirements for voluntary load shedding participation before the provider accepts a customer's agreement to volunteer to participate in voluntary load shedding;
- (2) inform the provider's transmission and distribution utilities whether the retail electric provider serves customers willing to voluntarily participate in load shedding during an energy emergency; and
- (3) coordinate with the provider's transmission and distribution utilities regarding the potential total amounts of electricity that would be available if voluntary load shedding is needed.

SECTION 9. Amends Section 17.005, Utilities Code, as follows:

Sec. 17.005. PROTECTIONS FOR CUSTOMERS OF MUNICIPALLY OWNED UTILITIES. (a)-(e) Creates these subsections from existing text and makes no further changes.

(f) Requires a municipally owned utility to periodically provide with bills sent to retail customers of the utility information about:

- (1) the utility's procedure for implementing involuntary load shedding;
- (2) the types of customers who are authorized to be considered critical care residential customers or critical load according to the PUC rules adopted under Section 38.075;
- (3) the procedure for a customer to apply to be considered a critical care residential customer or critical load according to the PUC rules adopted under Section 38.075; and
- (4) reducing electricity use at times when involuntary load shedding events are authorized to be implemented.

SECTION 10. Amends Section 17.006, Utilities Code, as follows:

Sec. 17.006. PROTECTIONS FOR CUSTOMERS OF ELECTRIC COOPERATIVES. (a)-(e) Creates these subsections from existing text and makes no further changes.

(f) Requires an electric cooperative to periodically provide with bills sent to retail customers of the cooperative information about:

- (1) the cooperative's procedure for implementing involuntary load shedding;
- (2) the types of customers who are authorized to be considered critical care residential customers or critical load according to the PUC rules adopted under Section 38.075;
- (3) the procedure for a customer to apply to be considered a critical care residential customer or critical load according to the PUC rules adopted under Section 38.075; and
- (4) reducing electricity use at times when involuntary load shedding events are authorized to be implemented.

SECTION 11. Amends the heading to Chapter 35, Utilities Code, to read as follows:

## CHAPTER 35. ENERGY PROVIDERS

SECTION 12. Amends Subchapter A, Chapter 35, Utilities Code, by adding Section 35.0021, as follows:

Sec. 35.0021. WEATHER EMERGENCY PREPAREDNESS. (a) Provides that this section applies only to a municipally owned utility, electric cooperative, qualifying facility, power generation company, or exempt wholesale generator that sells electric energy at wholesale in the Electric Reliability Council of Texas (ERCOT) power region.

(b) Requires the PUC by rule to require each provider of electric generation service described by Subsection (a) to implement measures to prepare the provider's generation assets to provide adequate electric generation service during a weather emergency according to reliability standards adopted by the PUC.

(c) Requires the independent organization certified under Section 39.151 for the ERCOT power region to:

(1) inspect generation assets in the ERCOT power region for compliance with the reliability standards;

(2) provide the owner of a generation asset with a reasonable period of time in which to remedy any violation the independent organization discovers in an inspection; and

(3) report to the PUC any violation that is not remedied in a reasonable period of time.

(d) Requires the PUC by rule to require a provider of electric generation service described by Subsection (a) for a generation asset that experiences repeated or major weather-related forced interruptions of service to contract with a person who is not an employee of the provider to assess the provider's weatherization plans, procedures, and operations for that asset, and to submit the assessment to the PUC and the independent organization certified under Section 39.151 for the ERCOT power region.

(e) Authorizes the PUC to require a provider of electric generation service described by Subsection (a) to implement appropriate recommendations included in an assessment submitted to the PUC under Subsection (d).

(f) Requires the independent organization certified under Section 39.151 for the ERCOT power region to review, coordinate, and approve or deny requests by providers of electric generation service described by Subsection (a) for a planned power outage during a period in which historically, as determined by the PUC, electricity use has reached a summer or winter peak.

(g) Requires the PUC to impose an administrative penalty on an entity, including a municipally owned utility or an electric cooperative, that violates a rule adopted under this section in the manner provided by Chapter 15 (Judicial Review, Enforcement, and Penalties).

SECTION 13. Amends Section 35.004(e), Utilities Code, as follows:

(e) Requires the PUC to ensure that the independent organization certified under Section 39.151 for the ERCOT power region procures ancillary services sufficient to manage any reliability impacts of intermittent generation resources, including variability across peak demand periods, and to directly assign the costs of such services to intermittent generators consistent with cost-causation principles.



SECTION 14. Amends Subchapter D, Chapter 38, Utilities Code, by adding Sections 38.074, 38.075, and 38.076, as follows:

Sec. 38.074. WEATHER EMERGENCY PREPAREDNESS. (a) Requires the PUC by rule to require each electric cooperative, municipally owned utility, and transmission and distribution utility providing transmission service in the ERCOT power region to implement measures to prepare the cooperative's or utility's facilities to maintain service quality and reliability during a weather emergency according to standards adopted by the PUC.

(b) Requires the PUC to impose an administrative penalty on an entity, including a municipally owned utility or an electric cooperative, that violates a rule adopted under this section in the manner provided by Chapter 15.

Sec. 38.075. INVOLUNTARY LOAD SHEDDING. (a) Requires the PUC by rule to adopt a system to allocate load shedding among electric cooperatives, municipally owned utilities, and transmission and distribution utilities providing transmission service in the ERCOT power region during an involuntary load shedding event initiated by an independent organization certified under Section 39.151 for the region during an energy emergency.

(b) Requires that the system provide for allocations for electric cooperatives, municipally owned utilities, and transmission and distribution utilities in different seasons based on historical seasonal peak usage in the geographic area served by the electric cooperative, municipally owned utility, or transmission and distribution utility.

(c) Requires the PUC by rule to:

(1) categorize types of critical load that may be given the highest priority for power restoration; and

(2) require electric cooperatives, municipally owned utilities, and transmission and distribution utilities providing transmission service in the ERCOT power region to submit to the PUC and the independent organization certified under Section 39.151 for the region customers or circuits the cooperative or utility has designated as critical load, and a plan for participating in load shedding in response to an involuntary load shedding event described by Subsection (a).

(d) Requires the PUC by rule to require electric cooperatives and municipally owned utilities providing transmission service in the ERCOT power region to maintain lists of customers willing to voluntarily participate in load shedding, and to coordinate with municipalities, businesses, and customers that consume large amounts of electricity to encourage voluntary load shedding.

(e) Provides that this section does not abridge, enlarge, or modify the obligation of an electric cooperative, a municipally owned utility, or a transmission and distribution utility to comply with federal reliability standards.

Sec. 38.076. LOAD SHEDDING EXERCISES. (a) Requires the PUC and the independent organization certified for the ERCOT power region to conduct load shedding exercises with providers of electric generation service and transmission and distribution service in the ERCOT power region.

(b) Requires the PUC to ensure that each year at least one exercise is conducted during a summer month and one exercise is conducted during a winter month.

SECTION 15. Amends Subchapter C, Chapter 39, Utilities Code, by adding Section 39.110, as follows:

Sec. 39.110. WHOLESALE INDEXED PRODUCTS PROHIBITED. (a) Defines "wholesale indexed product."

(b) Prohibits a retail electric provider from offering a wholesale indexed product to a residential or small commercial customer.

SECTION 16. Amends Subchapter D, Chapter 39, Utilities Code, by adding Section 39.159, as follows:

Sec. 39.159. WHOLESALE EMERGENCY PRICING PROCEDURES. (a) Requires the PUC by rule to establish an emergency system-wide offer cap program based on actual costs of generation at the time of the emergency for the wholesale electric market.

(b) Provides that, if the program includes more than one emergency system-wide offer cap:

(1) the program is prohibited from authorizing the high system-wide offer cap to be in effect for a continuous period of more than 12 hours;

(2) the program is authorized to only allow for a low system-wide offer cap that cannot exceed the high system-wide offer cap;

(3) the program is prohibited from allowing an emergency system-wide offer cap to exceed any nonemergency high system-wide offer cap; and

(4) the price of ancillary services is prohibited from exceeding 150 percent of the high system-wide offer cap.

(c) Requires the PUC to review the emergency system-wide offer cap program at least once every five years to determine whether to update aspects of the program.

SECTION 17. Amends Subchapter Z, Chapter 39, Utilities Code, by adding Section 39.9165, as follows:

Sec. 39.9165. DISTRIBUTED GENERATION REPORTING. (a) Defines "distributed generation."

(b) Requires an independent organization certified under Section 39.151 to require an owner or operator of distributed generation to register with the organization and interconnecting transmission and distribution utility information necessary for the interconnection of the distributed generator.

(c) Provides that this section does not apply to distributed generation serving a residential property.

SECTION 18. Amends Section 105.023, Utilities Code, by adding Subsections (b-1), (e), and (f), as follows:

(b-1) Requires that a civil penalty under Section 105.023 (Civil Penalty Against Gas Utility or Affiliate) be in an amount of not less than \$1,000 and not more than \$1,000,000 for each violation of Section 104.258(c) (relating to prohibiting a natural gas provider from disconnecting service to a residential customer during an extreme weather emergency), notwithstanding Subsection (b) (relating to the minimum and maximum amounts for a civil penalty under this section).

(e) Requires RRC by rule to establish a classification system to be used by a court under Subchapter B (Enforcement and Penalties) for violations of Section 104.258(c) that includes a range of penalties that may be recovered for each class of violation based on:

(1) the seriousness of the violation, including the nature, circumstances, extent, and gravity of a prohibited act, and the hazard or potential hazard created to the health, safety, or economic welfare of the public;

(2) the history of previous violations;

(3) the amount necessary to deter future violations;

(4) efforts to correct the violation; and

(5) any other matter that justice may require.

(f) Requires that the classification system established under Subsection (e) provide that a penalty in an amount that exceeds \$5,000 is authorized to be recovered only if the violation is included in the highest class of violations in the classification system.

SECTION 19. Amends Section 121.2015, Utilities Code, by amending Subsection (a) and adding Subsections (d), (e), and (f), as follows:

(a) Requires RRC to adopt rules regarding:

(1) and (2) makes nonsubstantive changes to these subdivisions; and

(3) measures gas pipeline facility operators are required to implement to prepare gas pipeline facilities to maintain service quality and reliability during extreme weather conditions, taking into consideration the supply chain map created under Section 418.309, Government Code.

(d) Requires RRC by rule to require a gas pipeline facility operator that experiences repeated or major weather-related forced interruptions of service to contract with a person who is not an employee of the provider to assess the operator's weatherization plans, procedures, and operations, and to submit the assessment to the PUC.

(e) Authorizes RRC to require an operator of a gas supply chain facility to implement appropriate recommendations included in an assessment submitted to the PUC under Subsection (d).

(f) Requires RRC to assess an administrative penalty against a person who violates a rule adopted under Subsection (a)(3) in the manner provided by Subchapter E (Pipeline Safety).

SECTION 20. Amends Section 121.206, Utilities Code, by adding Subsections (b-1) and (e), as follows:

(b-1) Prohibits the penalty for each violation from exceeding \$1,000,000 for a violation of a rule adopted under Section 121.2015(a)(3), notwithstanding Subsection (b) (relating to the maximum amount of an administrative penalty for violation of pipeline safety standards or rules). Authorizes each day a violation continues to be considered a separate violation for the purpose of penalty assessment.

(e) Requires that the guidelines provide that a penalty in an amount that exceeds \$5,000 for a violation of a rule adopted under Section 121.2015(a)(3) is authorized to be assessed only if circumstances justify the enhancement of the penalty.

SECTION 21. Amends the heading to Section 186.007, Utilities Code, to read as follows:

Sec. 186.007. PUBLIC UTILITY COMMISSION WEATHER EMERGENCY PREPAREDNESS REPORTS.

SECTION 22. Amends Sections 186.007(a-1), (b), (d), (e), and (f), Utilities Code, as follows:

(a-1) Requires the PUC to analyze emergency operation plans developed by certain entities, including power generation companies as defined by Section 31.002 and retail electric providers as defined by Section 31.002, and to prepare a weather emergency preparedness report on power weatherization preparedness, rather than on power generation weatherization preparedness. Makes nonsubstantive changes.

(b) Requires, rather than authorizes, the PUC to require an entity subject to this section, rather than electric generation entity subject to this section, to file an updated emergency operations plan if it finds that an emergency operations plan on file does not contain adequate information to determine whether the entity can provide adequate electric services, rather than electric generation services. Makes a conforming change.

(d) Requires the PUC to submit the report described by Subsection (a-1) to the lieutenant governor, the speaker of the Texas House of Representatives (house), and the members of the legislature not later than September 30 of each even-numbered year, rather than September 30, 2012.

(e) and (f) Makes conforming and nonsubstantive changes to these subsections.

SECTION 23. Amends Subchapter A, Chapter 186, Utilities Code, by adding Section 186.008, as follows:

Sec. 186.008. RAILROAD COMMISSION WEATHER EMERGENCY PREPAREDNESS REPORTS. (a) Defines "commission."

(b) Requires RRC to analyze emergency operations plans developed by operators of gas supply chain facilities, as defined by Section 86.044, Natural Resources Code, and by gas pipeline facility operators regulated under Chapter 121 (Gas Pipelines) and prepare a weather emergency preparedness report on natural gas supply chain weatherization preparedness. Requires RRC, in preparing the report, to:

(1) review any emergency operations plans on file with RRC;

(2) analyze and determine the ability of the natural gas supply chain, as mapped under Section 418.309, Government Code, to withstand extreme weather events in the upcoming year;

(3) consider the anticipated weather patterns for the upcoming year as forecasted by the National Weather Service or any similar state or national agency; and

(4) make recommendations on improving emergency operations plans and procedures in order to ensure the continuity of natural gas service.

(c) Requires RRC to require an entity subject to this section to file an updated emergency operations plan if it finds that an emergency operations plan on file does not contain adequate information to determine whether the entity can provide adequate natural gas services.

(d) Authorizes RRC to adopt rules relating to the implementation of the report described by Subsection (b).

(e) Requires RRC to submit the report described by Subsection (b) to the lieutenant governor, the speaker of the house, and the members of the legislature not later than September 30 of each even-numbered year.

(f) Authorizes RRC to submit additional weather emergency preparedness reports if RRC finds that significant changes to weatherization techniques have occurred

or are necessary to protect consumers or vital services, or if there have been changes to statutes or rules relating to weatherization requirements. Requires that a report under this subsection be submitted not later than March 1 for a summer weather emergency preparedness report, and not later than September 1 for a winter weather emergency preparedness report.

(g) Provides that the emergency operations plans submitted for a report described by Subsection (b) and any additional plans submitted under Subsection (f) are public information except for the portions of the plan considered confidential under Chapter 552 (Public Information), Government Code, or other state or federal law. Requires that a plan, if portions of the plan are designated as confidential, be provided to RRC in a redacted form for public inspection with the confidential portions removed.

SECTION 24. Amends Section 13.1395(a), Water Code, to redefine "affected utility" for Section 13.1395 (Standards of Emergency Operations).

SECTION 25. Amends Subchapter E, Chapter 13, Water Code, by adding Section 13.151, as follows:

Sec. 13.151. BILLING FOR SERVICES PROVIDED DURING EXTREME WEATHER EMERGENCY. (a) Defines "extreme weather emergency."

(b) Requires a retail public utility that is required to possess a certificate of public convenience and necessity or a district and affected county that furnishes retail water or sewer utility service to defer collection of the full payment of bills that are due during an extreme weather emergency until after the emergency is over and to work with customers to establish a pay schedule for deferred bills.

SECTION 26. Amends Section 13.414, Water Code, by adding Subsections (a-1), (d), and (e), as follows:

(a-1) Provides that, notwithstanding Subsection (a) (relating to the minimum and maximum amounts of a penalty against a retail public utility or affiliated interest), a retail public utility or affiliated interest that violates Section 13.151 is subject to a civil penalty of not less than \$100 nor more than \$1,000,000 for each violation.

(d) Requires TCEQ by rule to establish a classification system to be used by a court under this section for violations of Section 13.151 that includes a range of penalties that may be recovered for each class of violation based on:

- (1) the seriousness of the violation, including the nature, circumstances, extent, and gravity of a prohibited act, and the hazard or potential hazard created to the health, safety, or economic welfare of the public;
- (2) the history of previous violations;
- (3) the amount necessary to deter future violations;
- (4) efforts to correct the violation; and
- (5) any other matter that justice may require.

(e) Requires that the classification system established under Subsection (d) provide that a penalty in an amount that exceeds \$5,000 is authorized to be recovered only if the violation is included in the highest class of violations in the classification system.

SECTION 27. Amends Section 13.4151, Water Code, by adding Subsection (a-1), as follows:

(a-1) Authorizes the penalty for a violation of Section 13.151 to be in an amount not to exceed \$1,000,000 a day, notwithstanding Subsection (a) (relating to the assessment of an administrative penalty against certain persons). Authorizes the PUC to assess a penalty in an amount that exceeds \$5,000 under this subsection only if the PUC determines that a penalty in an amount that exceeds \$5,000 is justified based on the seriousness of the violation as classified under Subsection (b) (relating to the requirement that the PUC consider certain factors when determining the amount of an administrative penalty). Authorizes each day a violation continues to be considered a separate violation.

SECTION 28. (a) Provides that the State Energy Plan Advisory Committee (advisory committee) is composed of 12 members. Requires the governor, lieutenant governor, and speaker of the house each to appoint four members to the advisory committee.

(b) Requires the advisory committee, not later than September 1, 2022, to prepare a comprehensive state energy plan. Requires that the plan:

(1) evaluate barriers in the electricity and natural gas markets that prevent sound economic decisions;

(2) evaluate methods to improve the reliability, stability, and affordability of electric service in this state;

(3) provide recommendations for removing the barriers described by Subdivision (1) and using the methods described by Subdivision (2); and

(4) evaluate the electricity market structure and pricing mechanisms used in this state.

(c) Requires that the state energy plan prepared under this section be submitted to the legislature not later than September 1, 2022.

SECTION 29. Requires the PUC and the independent organization certified under Section 39.151, Utilities Code, to review statutes, rules, protocols, and bylaws that apply to conflicts of interest for commissioners and for members of the governing body of the independent organization and to submit to the legislature a report on the effects the statutes, rules, protocols, and bylaws have on the ability of the PUC and the independent organization to fulfill their duties.

SECTION 30. Requires the PUC to complete the first review required by Section 39.159(c), Utilities Code, as added by this Act, not later than December 31, 2022.

SECTION 31. (a) Requires each affected utility, as defined by Section 13.1395, Water Code, as amended by this Act, to complete the submissions required by Section 13.1396(c), Water Code, not later than November 1, 2021.

(b) Requires each affected utility to submit to TCEQ the emergency preparedness plan required by Section 13.1395, Water Code, as amended by this Act, not later than March 1, 2022.

(c) Requires each affected utility to implement the emergency preparedness plan approved by TCEQ under Section 13.1395, Water Code, as amended by this Act, not later than July 1, 2022.

(d) Authorizes an affected utility to file with TCEQ a written request for an extension, not to exceed 90 days, of the date by which the affected utility is required under Subsection (b) of this section to submit the affected utility's emergency preparedness plan or of the date by which the affected utility is required under Subsection (c) of this section to implement the affected utility's emergency preparedness plan. Requires TCEQ to approve the requested extension for good cause shown.

SECTION 32. Effective date: upon passage or September 1, 2021.