



Item 10: Legislative Update

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Board of Directors Meeting

ERCOT Public

June 20, 2023

Overview

- **Purpose**

This presentation is intended to provide an overview of the 88th Regular Session

- **Voting Items / Requests**

No action is requested of the Board; for discussion only

- **Key Takeaways**

- Electricity was a focal point of the 88th Legislature
- Multiple bills passed with significant impact on ERCOT operations and the electric market
- The 88th Legislature continued operations of the Public Utility Commission, ERCOT, and the Office of Public Utility Counsel by passing HB 1500
 - The Public Utility Commission, ERCOT, and the Office of Public Utility Counsel are scheduled to go through sunset again in 2029

88th Regular Legislative Session Overview

- Regular Session began on January 10th and ended on May 29th
 - 8,046 bills were filed this session (the most ever filed)
 - 1,242 bills were sent to the Governor (around 15% of bills filed)
 - Over the last five sessions an average of 20% of bills filed have passed
- Continued interest in electricity
 - This session, 257 bills relating to energy, ERCOT, or the PUC were filed
 - In the 87th Session, after Uri, 311 similar bills were filed
 - In the four sessions prior to Uri, an average of 100 similar bills were filed
- Other priority topics this session
 - State Budget – \$321.3B over the next biennium
 - Property tax relief
 - School choice
 - School safety
 - Securing the border
 - Fighting the Fentanyl crisis

Sunset & Market Design Legislation

HB 1500

Sunset Bill

Effective September 1, 2023

- Continuation of the Public Utility Commission, ERCOT, and Office of Public Utility Counsel through 2029
 - Adds a second commissioner as an *ex-officio* member of the ERCOT Board of Directors
 - Allows ERCOT Board of Directors to meet in executive session to discuss “risk management” as well as other matters authorized under Texas Open Meetings Act
 - Requires the Commission to direct ERCOT official actions through a contested case, rulemaking, or a written order adopted by a majority vote
 - Additionally requires a contested case or a rulemaking for any ERCOT official action that creates or increases a cost or fee
 - Requires a vote by the majority of Commissioners to modify the Independent Market Monitor’s contract
- Amended late in session to include Senate electricity priorities
 - Performance Credit Mechanism (PCM) Guardrails
 - Caps the net cost to the ERCOT market at \$1 billion, less the cost of bridge solutions
 - Includes penalties for generators that do not meet performance obligations
 - Requires the rollback of bridge solutions
 - Firming for future generation resources signing interconnection agreements after January 1, 2027
 - Requires ERCOT to implement an uncertainty ancillary service
 - Caps interconnection costs that can be passed on to consumers
 - Abolishes mandatory Renewable Energy Credit Program and makes the program optional



Sunset & Market Design Legislation (continued)

SB 2627 & SJR 93

Low Interest Loans & Completion Bonus Grants

Effective on adoption of SJR 93 constitutional vote on November 3, 2023

- \$7.2 billion for low interest loans and completion bonus grants for new dispatchable resources in the ERCOT region
 - Loans and grants disbursed through Texas Energy Fund
 - Low interest loans for new dispatchable resources totaling at least 100 MW of capacity
 - Completion bonus grants for new dispatchable resources
 - \$120,000 per MW cap for resources interconnected prior to June 1, 2026
 - \$80,000 per MW cap for resources interconnected between June 1, 2026, and June 1, 2029
- SJR 93 creates Texas Energy Fund by amending the Texas Constitution
 - Must be approved by voters during election on November 7, 2023

Other Notable Priority-Tracked Bills

Topic	Bills	Description	Result
Large Flexible Loads	SB 1929	Allows the Public Utility Commission (PUC) to require registration of large flexible loads	SB 1929 Passed Analysis Effective 09/01/2023
Transmission Planning	HB 5066	Adds projected loads to criteria to be considered in transmission planning process and requires a reliability plan for the Permian Basin	HB 5066 Passed Analysis Sent to the Governor
Grid Security	SB 2013	Updates the Lonestar Infrastructure Protection Act.	SB 2013 Passed Analysis Effective immediately
Distribution Level Information	HB 3390	Provides ERCOT insight into generation and loads connected at the distribution level	HB 3390 Passed Analysis Effective immediately
Aggregated Distributed Energy Resources	SB 1699	Requires PUC to establish registration requirements for Aggregate Distributed Energy Resource (ADERs)	SB 1699 Passed Analysis Effective immediately
Lubbock Power & Light	SB 1170 & HB 2664	Related to Lubbock Power & Light's entry into the ERCOT market	SB 1170 and HB 2664 Passed SB 1170 Analysis HB 2664 Analysis Effective immediately

88(1) Special Session

- Special session called by Governor began on Monday, May 29th
- Called to address:
 - Property tax relief
 - Border security
- Governor wrote in statement that “many critical items remain that must be passed”
- Additional special sessions may be called to address Governor priorities such as school choice

Post-Session Activities

- Electricity topics are mostly settled and are not expected to be discussed in any special sessions
- ERCOT Status Report for 88th Legislative Session will be developed. Goal for development is by September
 - Report highlights implementation progress of statutory requirements
 - Provides monthly status, ERCOT action items, completion dates, accountable executives, etc.
 - Will be developed similar to [87th Legislative Session ERCOT Status Report](#)
- ERCOT GR will continue to update the Board and Legislature on progress as it reaches above milestones