

By: King

S.B. No. 1287

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the cost of interconnecting certain electric generation
3 and energy storage facilities with the ERCOT transmission system.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 35.004, Utilities Code, is amended by
6 amending Subsection (d) and adding Subsections (d-1) and (d-2) to
7 read as follows:

8 (d) The commission shall price wholesale transmission
9 services within ERCOT based on the postage stamp method of pricing
10 under which a transmission-owning utility's rate is based on the
11 ERCOT utilities' combined annual costs of transmission, other than
12 costs described by Subsection (d-2), divided by the total demand
13 placed on the combined transmission systems of all such
14 transmission-owning utilities within a power region. An electric
15 utility subject to the freeze period imposed by Section 39.052 may
16 treat transmission costs in excess of transmission revenues during
17 the freeze period as an expense for purposes of determining annual
18 costs in the annual report filed under Section 39.257.
19 Notwithstanding Section 36.201, the commission may approve
20 wholesale rates that may be periodically adjusted to ensure timely
21 recovery of transmission investment. Notwithstanding Section
22 36.054(a), if the commission determines that conditions warrant the
23 action, the commission may authorize the inclusion of construction
24 work in progress in the rate base for transmission investment

1 required by the commission under Section 39.203(e).

2 (d-1) The commission by rule shall establish an allowance to
3 be applied on a per megawatt basis for capital costs incurred to
4 interconnect generation resources and electric energy storage
5 resources described by Section 35.152(a) with the ERCOT
6 transmission system, including costs of utility interconnection
7 facilities and all necessary system upgrades. The allowance must:

8 (1) take into account average historical
9 interconnection costs and system upgrade costs, other than
10 transmission costs associated with Section 39.904(g); and

11 (2) be designed to lower costs to consumers and
12 encourage owners of generation resources and electric energy
13 storage resources to locate the resources closer to load.

14 (d-2) Capital costs in excess of the allowance provided by
15 Subsection (d-1) incurred to interconnect generation resources and
16 electric energy storage resources described by Section 35.152(a)
17 with the ERCOT transmission system, including costs of utility
18 interconnection facilities and all necessary system upgrades, must
19 be directly assigned to the generation resource or electric energy
20 storage resource receiving interconnection service through the
21 facilities.

22 SECTION 2. This Act takes effect September 1, 2023.