



Testimony

SB 1278

Testimony in Support Before the Texas Senate Business & Commerce Committee

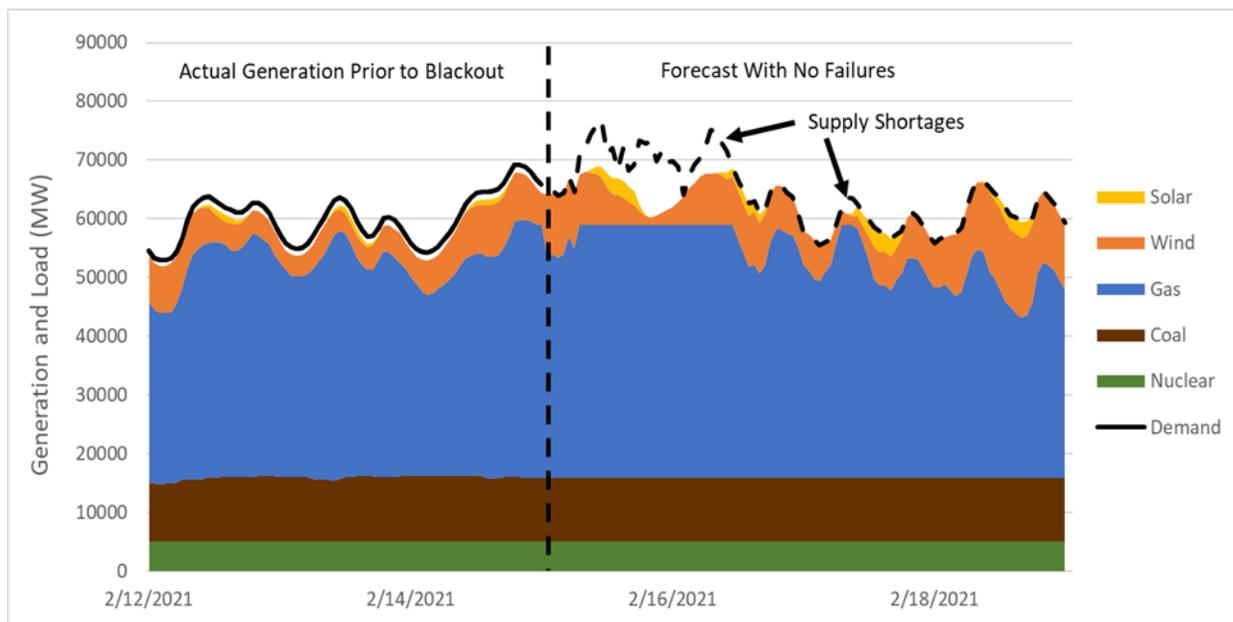
by Brent Bennett, PhD, Policy Director, Life:Powered

Chairman Hancock and Members of the Committee:

The Life:Powered team and the Texas Public Policy Foundation appreciate this committee’s work to dissect the causes of last month’s tragedy and to find appropriate solutions. We support SB 1278 and want to emphasize a couple of reasons why the firming requirement proposed in this bill is a critical piece of the solution set for ensuring this does not happen again.

1. The Texas grid is between 5 GW and 10 GW short of reliable generating capacity, and, absent market changes, that shortage will grow.

There must be one clear takeaway from the postmortem of this event: Even if *every* generator that was online the night of February 14 had continued operating throughout the event, we still would have had widespread and lasting outages. Based on ERCOT’s demand forecast, the outages would have still lasted more than 24 hours and reached up to 10 GW in this optimal operating scenario. We should not expect to weather an event of this magnitude without any outages, but we must do better than this.



Source: [EIA Hourly Grid Monitor](#)

It has been frequently stated that ancillary services costs have not risen as more wind and solar have been added to the grid. This is true and gets to the heart of the “missing money problem” that has led to this capacity shortage. If Texas were properly accounting for the reliability costs of wind and solar, we would be paying more for ancillary services and other reliability measures. The fact that we are not paying has led to the absence of reliable generation that was needed to mitigate

the shortage last month. If we continue to add wind and solar as projected and do not pay to improve their reliability, we will have more frequent and severe outages in the future. This bill is a step toward solving this problem.

2. A fair market structure dictates that wind and solar be required to pay to bring their reliability up to that of gas, coal, and nuclear generators.

There should be little doubt that Texas needs to better value reliability as it adds more wind and solar. The tougher question is how we should pay for that reliability. The only way to bring the market closer to its proper equilibrium is to require wind and solar to pay to improve their reliability, and a competitively bid ancillary service will make the most efficient use of those payments.

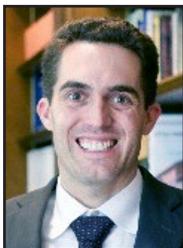
An ideal market would properly price, in addition to energy generation, factors such as reliability, delivery, and environmental impact. The market would then determine an appropriate balance of resources depending on the relative value of each factor. The Texas market is very far from this ideal. Emissions reductions are overvalued, as gas and coal generators must pay to regulate their emissions, while wind and solar are subsidized for their emissions benefits, sometimes above \$20/MWh for wind generators. Reliability, as we have seen recently, is undervalued, and wind and solar are not required to pay a clear penalty for being less reliable. Delivery costs are socialized such that wind and solar do not have to pay more for requiring more transmission to reach their distant generating locations.

Socializing the cost of added reliability through a flat fee on consumers outside the current market design, as is being proposed by many parties, is not a proper solution. Such a fee would impose the costs of intermittence on consumers, rather than on the resources imposing intermittence on the system.

3. Criteria for the size and duration of the ancillary service must be defined clearly in statute and not left wholly for the PUC to decide.

The primary flaw of both this bill and the similar requirement in SB 3 is that it does not set out clear criteria for defining the size and duration of the ancillary service. Without such criteria, it is impossible to tell at this point whether this legislation will solve a meaningful portion of the capacity problems that we now face and how much the solution will cost. The Legislature should do as much as possible to define these criteria now and show the people of Texas that it is taking meaningful steps to solve the capacity problem. We stand ready to help this committee and the Senate with this task. ★

ABOUT THE AUTHOR



Brent Bennett, PhD, is the policy director for Life:Powered, an initiative of the Texas Public Policy Foundation that reframes the national discussion on energy and the environment. As part of the Life:Powered team, Bennett regularly speaks with policymakers, energy experts, and industry associations across the country. He is responsible for fact-checking the team's work and spearheading many of the team's policy and regulatory initiatives. He has written extensively on how America has improved its environment while growing its energy use and on the physical limitations of renewable energy and energy storage.

Bennett has an MSE and PhD in materials science and engineering from the University of Texas at Austin and a BS in physics from the University of Tulsa. His graduate research focused on advanced chemistries for utility-scale energy storage systems.

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