



Testimony

SB 1281

Testimony in Support Before the Texas House State Affairs Committee

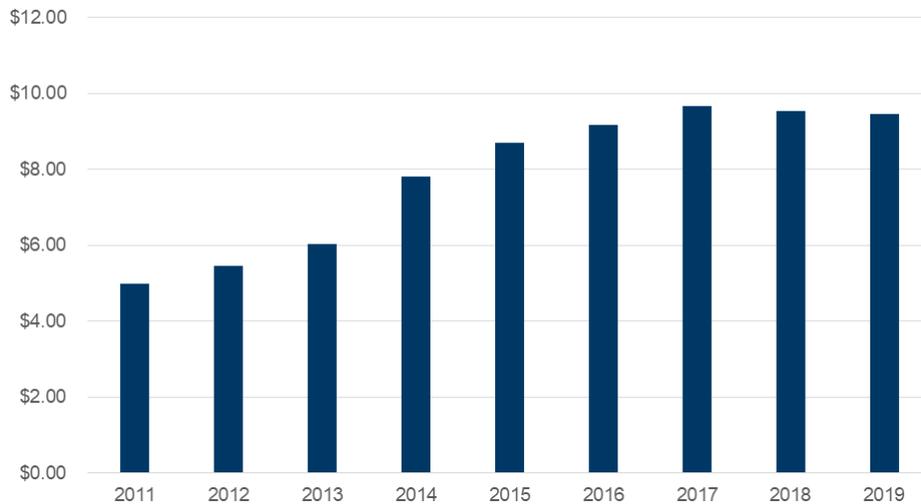
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Chairman Paddie and Members of the Committee:

Life:Powered and the Texas Public Policy Foundation support SB 1281 because it directs transmission planning toward the goal of lowering costs for consumers. Because consumers pay for transmission through a direct fee in the ERCOT market, lowering costs for consumers should be the ultimate goal of any transmission planning.

In order to encourage the building of new electricity generation, Texas has made it a matter of state policy to pay for transmission and interconnection costs, primarily through a consumer fee called the transmission cost of service (TCOS). The problem with this market design is that it is not clearly directed toward minimizing costs for consumers. In fact, due to the growth of wind and solar generation in Texas, the TCOS per MWh of energy use has nearly doubled over the past decade.

ERCOT Annual Transmission Cost of Service per Total MWh Energy Use



The current system of planning and approving transmission is organized around minimizing production costs, which is not the same as the market clearing price and does not necessarily align transmission projects with minimizing costs for consumers. This bill, by setting forth the criteria that transmission projects be analyzed according to the costs and benefits for consumers, corrects this misalignment and discourages generators from siting generation in ways that are not economically optimal for the entire system. Therefore, we encourage the committee to support this bill. ★

Source: [ERCOT Report on Existing and Potential Electric System Constraints and Needs \(Dec. 2020\)](#)

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