

BILL ANALYSIS: HB 3356

RELATING TO THE APPLICABILITY OF CERTAIN GENERATION RELIABILITY REQUIREMENTS

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PURPOSE

Authored by Representative Jared Patterson, HB 3356 proposes amendments to Section 39.1592(a) of the Utilities Code, which pertains to reliability requirements for electric generation facilities in the ERCOT power region of Texas. This bill changes the applicability of the reliability requirements established in HB 1500 (2023) to all generators and moves forward the effective date of the requirement from January 1, 2028, to January 1, 2027.

A uniform standard for all generators—not just new generators—is essential to ensure that new generators are not advantaged or disadvantaged relative to existing generators. A uniform standard is also needed to ensure that the volatility cost of existing generation is accounted for. ERCOT estimates that 90 GW of wind and solar will be operational in the region by the end of 2026, with only about 15 GW of new generation being added every year (ERCOT, 2024). Therefore, a reliability standard for new generators only will take many years to provide meaningful benefits to Texas ratepayers. With rapid demand growth projected for the rest of this decade, HB 3356 will ensure that the reliability of the ERCOT grid will be improved now instead of years from now.

BACKGROUND

Following Winter Storm Uri, the 87th and 88th Legislatures made numerous changes to secure the state's power sector. HB 1500 (2023) reauthorized the PUC and made many policy changes, including establishing a reliability standard for generation facilities in the ERCOT power region.

HB 1500 specifies that the Public Utility Commission (PUC) is responsible for establishing the protocols of the reliability standard, including incentives for generators meeting the standard, and penalties for generators failing to meet the standard. Generators must make their first demonstration for the purpose of establishing compliance with the standard no later than January 1, 2028, and will be subject to the standard after that.

Currently, the statute applies the reliability standard only to generators in the ERCOT power region that sign a standard generator interconnection agreement on or after January 1, 2027 and that have been

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operating for at least one year. The standard will not cover any generators currently in operation, and existing generators will not be eligible for penalties or incentives tied to the reliability standard.

The PUC estimates that in 2023, Texas ratepayers paid \$788 million to procure ancillary services to address solar and wind variability, or 42% of the total ancillary service procurement that year (PUC, 2024). Other estimates show that wind and solar volatility increased market prices by nearly \$2 billion. SB 715 is designed to ensure that the costs of managing the volatility of both existing and new generation are addressed in an equitable manner.

SECTION-BY-SECTION ANALYSIS

Section 1 amends Section 39.1592(a) of the Utilities Code by changing the criteria for an electric generation facility to be subject to Section 39.1592 (a). The change applies the section to all generators that have been in operation for one year, rather than to generators that have signed an interconnection agreement on or after January 1, 2027.

Section 2 repeals Sections 52(b) and (c), Chapter 410 Utilities Code (H.B. 1500) and requires electric generation facilities to make their first demonstration of compliance with the reliability requirement established under Section 39.1952(b) not later than January 1, 2027.

EFFECTIVE DATE

If enacted, SB 715 will take effect on September 1, 2025.

REFERENCES

Electric Reliability Council of Texas (ERCOT). (2024, November 5). *Capacity changes by fuel type charts, October 2024*. https://www.ercot.com/files/docs/2024/11/05/Capacity-Changes-by-Fuel-Type-Charts_October_2024.xlsx

HB 1500. Enrolled. 88th Texas Legislature. Regular. (2023). <https://capitol.texas.gov/tlodocs/88R/billtext/pdf/HB01500F.pdf>

Public Utility Commission of Texas (PUC). (2024, December 1). *Report on dispatchable and non-dispatchable generation facilities*. https://interchange.puc.texas.gov/Documents/56335_8_1445570.PDF

