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CSSB 3: Weatherize it all, Enforce, Don't Blame Renewables, and don't forget the demand side!

The Lone Star Chapter of the Sierra Club appreciates the leadership of the Senate and Senator Schwertner in passing CSSB 3 and in Chairman Paddie in sponsoring SB 3 in the House.

We believe it is a good start to needed reforms in our electric system and we are generally supportive of the bill. In particular, we are very supportive of the creation of an alert system through the efforts of TDEM and TxDOT and of the requirements that all aspects of the electric and gas supply system be weatherized. ***Just to be crystal clear, none of the main bills that passed the House – HB 10, 11, 12, 13 or 14 – contained any required weatherization of the fuel supply and required inspections and enforcements.*** SB 3 does though those requirements were weakened somewhat on the Senate floor. We would suggest returning to the original required weatherization standards and assuring that power plants, and the entire fuel supply are weatherized, inspected and subject to strict enforcement provisions. We can not return home from the Legislative Session without at a minimum assuring that the thousands of Texans impacted by Uri will not face the same results in the future because of the repeated failure of the Legislature to require strict weatherization standards.

Second, we would suggest that those weatherization standards be updated every five years by admitting what is obvious: **The climate is changing.**

We believe given the changing climate and likelihood of future hot and cold events, Texas would be well served to consider information from the Texas state climatologist and national weather service in setting weatherization standards, and reviewing standards every five years.

Here is some language from a bill filed by Rep Hinojosa (HB 3912) that might be helpful:

(b) The rules must be based on information from the National Weather Service and the Office of the Texas State Climatologist about:

(1) historic weather emergencies;

(2) climate variability; and

(3) projected changes in weather.

(c) The commission shall review and, if necessary, update rules adopted under this section at least once every five years to account for changes in the information described by Subsection (b).

In addition, ***we do have some specific suggestion on language to make sure that TCEQ is part of the agencies consulted in the alert system*** as there are often pollution consequences to rolling outages, brown-outs and black-outs. Hundreds of thousands of Gulf Coast residents were faced with added pollution burdens during both Harvey and Uri due to plant failures and shut-downs and start-ups and TCEQ must be involved in the creation of the alert system and the content if there are pollution aspects that certain residents must be warned about.

We are also supportive of requiring further information of distributed generation resources and requiring much more detailed information on outages and opportunities for consumers to participate in programs to prevent outages. ***We would suggest as is contained as a section in a separate bill by Representative Ron Reynolds (HB 3362) and Senator Schwertner (SB 2109) that wires companies be required to file an annual transmission outage plan, with a public component.*** Many members of the public had no idea what to expect when ERCOT announced rolling outages, and clearly most companies lacked a well-established plan.

That suggested language can be found below.

SECTION X. Subchapter A, Chapter 186, Utilities Code, is amended by adding Section 186.008 to read as follows:

Sec. 186.008. TRANSMISSION OUTAGE PLAN. (a) In this section, "commission" means the Public Utility Commission of Texas.

(b) The commission by rule shall require all electric utilities, as defined by Section 31.002, municipally owned utilities, and electric cooperatives that own transmission and distribution assets in this state to file and implement an outage plan that includes a plan for shutting off customer access to electricity in the event of the need for rolling outages to prevent brown-outs and black-outs. The rules must:

(1) require the utility or cooperative to update the plan annually;

(2) share the plan with the independent system operator, as defined by Section 31.002, for the area in which the utility or cooperative operates; and

(3) require the utility or cooperative to make the plan publicly available.

(c) The commission may require an electric utility, municipally owned utility, or electric cooperative subject to this section to file an updated transmission outage plan if the commission finds that a transmission outage plan on file does not contain adequate information.

What we disagree with in the bill

While we appreciate the need to assure reliability in the Texas market, we disagree with Section 13, which is language similar to HB 4496 and SB 1278, and that would require that renewable energy companies meet specific ancillary service and replacement power requirements. This completely undermines our current market and puts a burden on one set of generators. All generators failed during Uri, and that failure should be addressed by required weatherization of all generators, not by making one set pay for ancillary services and the undefined “replacement power.”

Most renewable energy providers do have to meet requirement based on their contracts with loads, but those are essentially private contracts and not a state mandate. We do believe there may be some reporting and other functions to improve reliability but we are concerned in an energy-only competitive market structure, requiring one set of generators to meet added requirements that others are not subject to. We would suggest instead that PUC and ERCOT be directed to reexamine their Emergency Response Services and ancillary service volumes and implement changes with stakeholder input to assure we have the ancillary services and ERS the market needs. We have provided language to Chairman Paddie to accomplish this task.

While we agree that wholesale variable rates such as those that were offered by Griddy should not be authorized, we are concerned by the broad language in the prohibition in the bill, similar to provisions in HB 16. We want to assure that time-of-use rates (with protections for consumers) and unique pilot programs that encourage the use of electric vehicle charging and local solar are not impacted by the prohibition. We are supportive of an approach suggested by Octopus Energy.

We do support putting some limits on maximum energy prices in an emergency situation and believe that the 12 hours over 24 hours standard contained in the bill is appropriate. Alternatively, we could direct the PUC to come up with an appropriate number but also assure that prices can not rise to the cap when capacity is not available due to an outage issue where generators can not produce energy. Having the price go to the cap for several days made no sense in February when generators could not physically provide energy to the system, nor could

What's Missing in the Bill? Local Energy Solutions

While much of the focus of the recent winter storm was on supply side issues, and SB 3 does a good job on addressing those issues through an alert system and required weatherization among other provisions, the bill lacks any needed reforms on the demand side of the equation. The fact is that Texas as a state has failed to keep up with policies to encourage distributed energy solutions, demand response and energy efficiency. As a state, we only require our Transmission and Distribution Utilities to meet 0.4 percent of average summer and winter peak demand through demand response and energy efficiency program. The Sierra Club is supportive of a separate bill – HB 4556/SB 243 – that would finally raise our energy efficiency goal to one percent of sales which could spur thousands of homes and businesses to be weatherized. We have provided language both from the original bill as well as potential compromise that would expand our current programs to focus more on winter peak and energy savings programs that would be helpful. Let's weatherize homes and businesses as well as power plants and fuel supplies.

In addition, we believe that as is contained in HB 3362/SB 2109, retail electric providers (and potentially others) should be directed to develop and offer residential demand response programs that would be available during winter and summer peaks. While we should not dictate the type of programs and those programs must be voluntarily, making sure customers have options and REPs reach some modest goals would help our future electricity grid.

Finally, Texas should open up our rules and allow registered smaller generation resources – known as Distributed Energy Resources – to compete and provide both wholesale energy and ancillary services. Again, while a separate bill has been introduced by Senator Nathan Johnson (SB 1479), we believe it would make sense to direct the PUC to develop rules so those local energy resources can compete and offer reliable power in our market.

We have provided the sponsor of the bill with relevant language from those separate bills that would improve this bill.