

**TSPA testimony to House Committee on State Affairs**  
SB 3 by Schwertner - Relating to weather emergencies and power outages  
May 6, 2021

Thank you Madame Chair, Chairman Paddie, and members. My name is Charlie Hemmeline, executive director of the Texas Solar Power Association testifying respectfully in OPPOSITION to SB 3.

I want to start by saying that there are many good aspects of SB 3 that address the relevant issues related to the winter storm, in line with multiple bills already passed by this committee.

Unfortunately, section 13 of goes beyond those pressing needs and includes an unrelated new change regarding ancillary services and so-called “replacement power” that adds significant uncertainty for solar generators while providing no benefit for grid reliability.

With this ancillary services provision, a whole new category of investment risk would be introduced into the ERCOT market. It is difficult to even quantify since it’s not clear what new costs might be added to existing or future solar projects.

Those projects developed over the past few years represent billions of dollars of investment and have been the primary factor in driving up our summer reserve margin from 8% in 2019 to 15% this summer and over 20% by next summer.

For seasonal resource adequacy planning, ERCOT plans on a certain amount of solar production for our peak demand in winter, a higher level of production in the spring and fall, and an even higher level in the summer. And looking backwards, solar has consistently met or exceeded ERCOT’s expectations.

Regarding “replacement power” - if for some reason ERCOT’s specific daily or hourly solar forecast happens to be off, the real-time and ancillary services markets serve to bring the next most economic generator online, the same as when a thermal generator experiences an unplanned outage, as happened more than 2,000 times in 2019.

You won’t get extra reliability by penalizing solar projects. If there is a grid need, make sure that there is a market for that service and let the provider get paid. If there’s a market need and a solar project can’t provide it, they won’t get paid – that’s penalty enough.

Effective market design will ensure that we get the most out of what each generator has to offer, providing consumers the greatest reliability for the lowest cost.

For now, we strongly recommend that the legislature remain focused on immediate needs surfaced by the winter storm and direct the Public Utility Commission to take a more holistic view of possible market design improvements.

As it is, SB 3 already calls for the creation of the State Energy Plan Advisory Committee, which would be directed to evaluate our electricity market structure and pricing mechanisms, including the ancillary services market.

Let's let the PUC supplement that effort and not jump the gun with new mandates.

I appreciate the opportunity to be here, thank you all for staying so late, and I'd be happy to take any questions.