



March 29, 2023

The Honorable Todd Hunter  
Chairman, Committee on State Affairs  
Texas House of Representatives  
201 East 14<sup>th</sup> Street  
Austin, Texas 78701

Mr. Chairman & Members of House Committee on State Affairs,

The Texas Solar Power Association (TSPA) is a statewide industry trade association that promotes the development of solar electric generation in Texas. Our member companies invest in the development of solar photovoltaic and storage products and projects in Texas, cost-competitively serving customers in both wholesale and retail markets. Our membership includes manufacturers, large-scale power plant developers, residential and commercial rooftop integrators, and other Texas companies participating across the full solar photovoltaic and battery storage supply chain.

TSPA appreciates this committee's extensive work toward ensuring Texans have a reliable grid at an affordable price. We believe the Legislature can implement targeted, smart policies to increase grid reliability without harming our fleet of affordable, predictable, clean solar resources that deliver multiple benefits to consumers and our power grid on a daily basis. We understand the complexity of these important issues and respectfully offer the following comments on the proposed legislation before the committee.



***HB 4831 Relating to the implementation of a program to meet the reliability needs in the ERCOT power region.***

TSPA appreciates the Legislature's desire to place some limitations on implementation of a reliability program. TSPA further supports the requirement for an updated cost estimate before implementing a reliability program for the ERCOT power region as there has been significant disagreement over the cost of such a program.

However, TSPA continues to advocate that such a program is unnecessary for grid reliability because it does not incent new generation build. In addition, if such a program were to be implemented, it is essential that the program be technologically neutral and non-discriminatory.

***HB 4832 Relating to the reliability of the ERCOT power grid.*** TSPA supports the implementation of the DRRS in which cost allocation follows cost causation and non-discriminatory principles but opposes implementing a firming requirement.

TSPA has consistently supported the creation of a technology neutral, non-discriminatory Dispatchable Reliability Reserve Service (DRRS) to better ensure grid reliability. TSPA joined a large coalition of stakeholders including industrial consumers, the independent market monitor, and retail electric providers to advocate for this proposal at the Public Utility Commission. TSPA favors the idea of a properly constructed DRRS as a new Ancillary Service so long as it incentivizes new generation and battery storage in a targeted, flexible, and cost-effective manner. The DRRS language in HB 4832 does not yet achieve this standard and should be amended by requiring the procurement of DRRS to be designed to address actual operational issues, such as forecast error and forced outages, to protect ratepayers from an overcommitment of DRRS resources (and higher costs) when the grid does not need these DRRS resources.

TSPA opposes the language in HB 4832 that requires ERCOT to procure backup power for generators. The language, as introduced, will not only lead to a dramatic increase in the cost of all types of power



generation but also result in less capacity. ERCOT representatives have stated that the overly complex and cumbersome firming requirements such as in HB 4832 will serve to push those resources who already operate on small margins to leave the market, leaving Texas with even fewer MW to serve increasing load. In addition, firming requirements will cause generators to increase their energy bids and that price increase will be paid by consumers. As the ERCOT CEO recently stated, firming policy is a “tax” on consumers. Finally, the formula for the allocation of the costs proposed for a “firming” program is unclear as drafted and not able to be understood even by energy market experts.

***HB 4836 Relating to the legislature's goals for natural gas generating capacity.***

TSPA understands the Legislature’s desire to incent new dispatchable generation. However, HB 4836 does not accomplish that goal. Instead of subsidizing what is desired – new natural gas plants– the bill proposes penalizing companies that do not invest in natural gas capacity. We suggest the more effective approach would be to directly incent new dispatchable generation. If creating a natural gas mandate is the goal of HB 4836, assigning the cost to generators is inappropriate for two reasons: (1) passage of a new mandated cost on ERCOT generators will raise costs on all ratepayers; and (2) increased demand for electricity by load is creating the need for additional generation. The market design in Texas has always recognized this cost causation principle and assigned costs to load for this reason and should continue to do so as a matter of fairness.

In addition, focusing on one fuel type for a significant portion of the total fleet is not sound public policy. Texas has been served well by its all-of-the-above approach to energy. A variety of fuel sources allows the state to hedge against a high price from any one sector. The market can naturally manage this price risk by seeking fuel diversity. For example, when there is a diverse group of solar, nuclear, coal, geothermal, or hydrogen on the grid, Texas benefits from selling our natural gas to other parts of the country at market prices while minimizing the volatile nature of natural gas prices on Texas consumers.

HB 4836 unnecessarily imposes a government mandate that short circuits what the market is doing efficiently today. The bill would eliminate this market efficiency and the requirement of such a large



amount of generation from one fuel source could have unintended consequences. Resource diversity matters, as does geographic diversity in the power fleet. Texas is seeing increases in both, which will benefit consumers and reliability.

Thank you, Chairman Hunter and committee members for your attention and work on these critical issues. Going forward, please do not hesitate to call on TSPA for additional information or input on potential policy solutions. TSPA and our member companies stand ready to help.

Sincerely,

A handwritten signature in black ink, appearing to read "Tonya Miller".

Tonya Miller  
Executive Director