



SIERRA CLUB

LONE STAR CHAPTER

July 29th, 2026

To: The Honorable Dr. Charles Schwertner, Chair
The Honorable Phil King, Vice-Chair
Honorable Members, Senate Committee on Business and Commerce
From: Cyrus Reed, Legislative and Conservation Director, Lone Star Chapter, Sierra Club,
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The Lone Star Chapter of the Sierra Club is the state chapter of the Sierra Club, the nation's largest and oldest conservation organizations. We have some 20,000 members and 100,000 supporters in Texas, spanning every senate district of the state. Our members care deeply about the electric grid, energy affordability and assuring that our state transitions to cleaner sources of energy that use less water and don't emit air pollution. We also care about reliability and resilience and understand it takes a dynamic and balanced grid to assure cleanliness, affordability and reliability.

We are pleased to offer brief comments on both topics today.

Executive Summary

The Sierra Club has supported many important bills since Winter Storm Uri to make our grid more reliable, including SB 3, HB 1500 and SB 6. Other important bills to assure the safety of battery storage, renewable recycling and residential demand response and aggregated distributed resources have also made our grid stronger. We should not turn our back on continued renewable energy and battery storage development. However, while we support the PUCT rulemaking to implement SB 6, more must be done to protect Texas residential consumers from the new hyper-scale large load development that is occurring including creation of a separate rate tariff, required registration and energy and water reporting, and mitigation fees. Counties also need more regulatory authority.

On transmission, Sierra Club is not opposed to the development of 765 kV lines, but the process is too truncated at 180 days and unfair to the public. The process for approval of 765 kV lines must be changed to 360 days with better public notice, better ground-truthed routing

alternatives and more potential for stakeholder input and involvement. In addition, the Legislature must expand the use of grid enhancing technologies and re-conducting and rewiring, and consider expanding the use of “Non-Wires Alternatives.” Utilities will always want to build large transmission solutions - it's in their financial interest - but the legislature can set up guardrails and an alternative analysis.

- ***Assessing the State of the Texas Electric Grid:***

Most of our members and supporters in Texas live within the ERCOT grid. They also suffered through the failures of the grid during Winter Storm Uri. On the whole we believe the steps taken since Winter Storm Uri have improved the grid and made it more resilient and reliable. Generally, we have been supportive of the major bills, including SB 3 in 2021, HB 1500 - the PUCT sunset bill in 2023- and more recently SB 6.

Some of the important improvements that have occurred since Winter Storm Uri include:

- Development of a new reliability standard;
- Development of a Dispatchable Reliability Reserve Service, though we still await its full development by including battery energy storage as contemplated in HB 1500;
- New Weatherization Standards for generation and transmission sources;
- A new firming requirement for future renewable development for certain riskier hours;
- Co-optimization of the energy and ancillary services market.

We have also consistently supported efforts to address the customer-side of the meter, and supported SB 1699 in 2023, which sought to incentivize demand response by creating a residential goal and aggregating distributed energy resources. Other efforts to address the demand side have fallen short, and we look forward to future discussions on those issues. We have consistently called for:

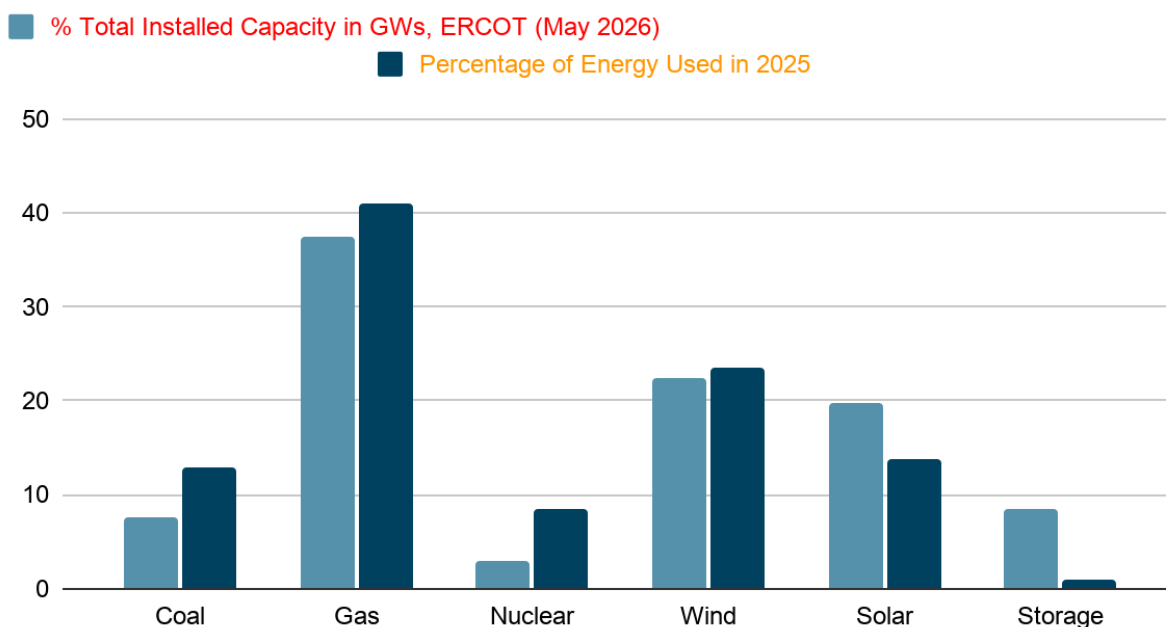
- An increase in energy efficiency goals either through PUCT rulemaking or legislative action;
- Continued development of distributed energy resources and demand response resources, especially in the competitive market;
- Standardized interconnection processes for distributed energy resources; and
- Creation of a state payment assistance program, particularly for extreme weather events.

The Grid is more stable because of batteries and renewable energy

In addition, we want to state clearly that we do not see renewable energy development and BESS as a problem for our reliability or affordability but an important part of our grid. Texas should be proud of our number one ranking in wind, utility-scale solar and battery storage capacity and energy, and we hope that one day Texas can also be a leader in responsibly-sited offshore wind and geothermal power. Resources that are cost-effective, don't use water and don't create emissions have helped not hurt our grid. This doesn't mean that we can't improve our process and we do support common-sense protections and transparency in their development.

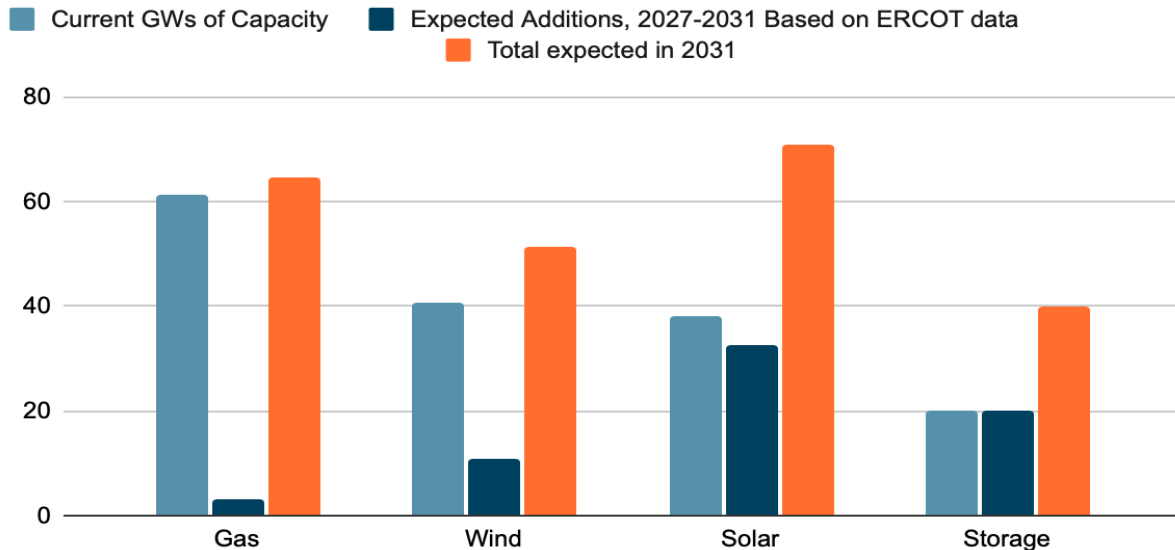
Renewable energy provided roughly 35% of the electricity in 2025, but on many days it is providing more than half of our electricity. Rather than a problem it is a solution.

Energy Capacity (2026) and Use (2025) by Source, ERCOT



Renewable energy and battery storage is likely to grow in the coming years, and assuring this development can occur in a responsible manner will be key to our grid.

Current GWs of Capacity , Expected Additions, 2027-2031 Based on ERCOT data and Total expected in 2031



We would note the importance of battery storage development in our grid, often helping stabilize the grid during early winter mornings or summer evenings. We supported several important bills last session that became law and will help make these resources safer.

House Bill 3824 (King)/Schwertner (Senate Sponsor). Requires the adoption of fire safety standards and certifications developed by National Fire Protection Association & Underwriters Laboratories for all utility-scale batteries, and mandates third-party inspections, emergency response planning and annual training for first responders at BESS facilities. The rules for this law are through the Texas Department of Insurance and go into effect in January of 2027.

While counties and cities can not pass their own rules on BESS on these issues that go beyond these standards, counties and cities can assure these rules are followed, and municipal utilities have additional ability to inspect and create safety standards.

House Bill 3809 (Darby)/Schwertner (Senate Sponsor). Establishes requirements for BESS facilities, including posting of full financial assurance for facility decommissioning, land restoration, recycling and disposal. Frankly, these requirements are stronger now for BESS facilities than they are for oil and gas wells at the Texas Railroad Commission. This bill became effective on September 1, 2025, meaning all newer storage facilities must have financial assurance in place to cover the full cost of decommissioning. This is a very important provision to assure safety.

House Bill 3229 (Lambert)/Perry (Senate Sponsor). Requires recyclers of wind, solar, and BESS components to submit annual reports to TCEQ and post financial assurance to cover recycling and disposal. The bill includes compliance and enforcement including a provision of up to \$500 a day for not following the requirements of the bill.

The passage of these three laws, along with the new rules at ERCOT on grid enhancing technologies and state of charge, will go a long way to assuring BESS safety and reliability. Still, we understand that some communities such as those in the Hill Country have concerns about the location and siting of these utility-scale facilities going forward.

Sierra Club believes that this committee must assure that the laws passed are implemented by TDI, local utilities and the TCEQ, including compliance and enforcement.

Large Loads: A problem and potential solutions

We have many members who are very concerned about the water, energy and air quality impacts of data centers and other large electric loads. These community members are not misinformed as some have claimed, but citizens, residents and constituents who are seeing how large industrial facilities are popping up often in rural, water-stressed areas of Texas. Please take their - and our concerns- seriously. We have also seen how development of large loads in other states - including Virginia - has overwhelmed local grid, water and air quality protections, and that state is now playing catch up. Getting the rules and regulations correct at the front end before the massive arrival of these new large loads is key.

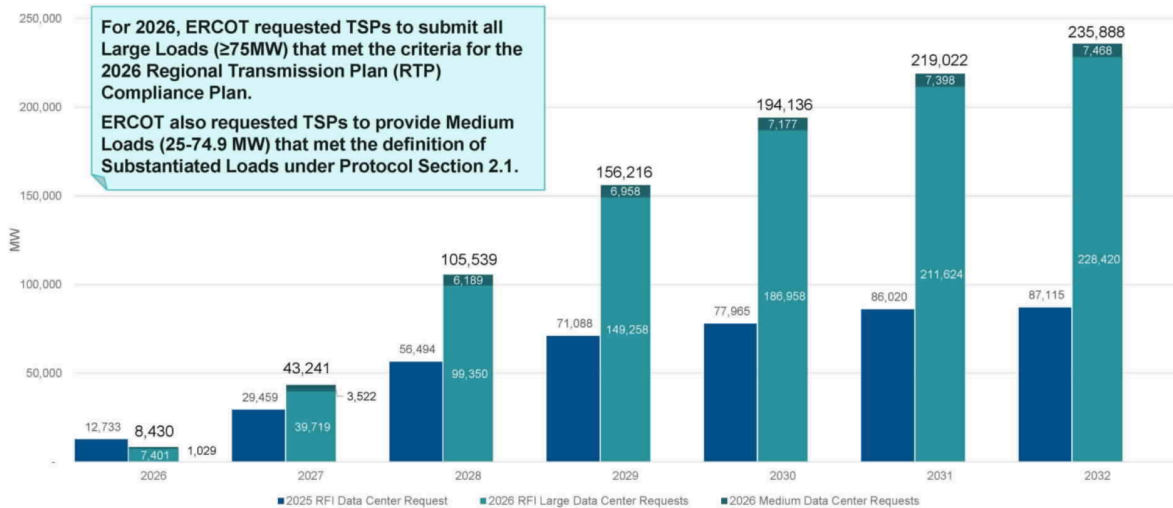
This committee must also be aware of increasing costs being faced by ERCOT consumers. Recently, TEPR - the Texas Energy Poverty Research Institute - issued a new report entitled “ERCOT Electricity Affordability Outlook.” The report details how electricity rates have increased by approximately 30% since 2021, and projects another rise of 29% for 2025-2030, primarily driven by planned, large-scale investments in transmission and distribution.

As an organization, we did support SB 6 - as a necessary important first step toward incorporation of these new large computational loads - and we are also members of ERCOT, and serve on the Reliability and Operations Committee, which recently reviewed proposed protocols and guidelines around the ERCOT “batch” process and other rules to create “Controllable Load Resources” and “Bring Your Own Generation” standards. Our organization has been in general support of ERCOT’s proposal and were pleased to see it approved by the Board and PUCT. We recognize the amount of work that has gone into the development of proposed rules to implement SB 6 as well as the proposed ERCOT protocols, interconnection studies and RPG (Regional Planning Group) analysis.

SB 6 Implementation and why it is important as a base level of guardrails to large load development

Sierra Club supported SB 6, including its major provisions to require interconnection studies and standards, separate permission for large loads that are co-located with existing generation, a demand management tool, new requirements on ERCOT forecasting, and especially a reconsideration and reevaluation of how transmission costs are borne by ratepayers. Forecasts of Large Loads warning to interconnect continue to be extremely high. While the 2025 RTP predicted up to 220 GWs of loads within six years, even more recent projections continue to show even higher loads wishing to interconnect, showing the importance of SB 6 as an initial protective measure. Just this April, ERCOT issued a stark reminder of why SB 6 is so important, issuing a demand projection that is startling in the potential impact of new large loads - some 235 additional GWs - on our grid, stating that up to a total of 367 GWs of load could be on the grid by 2032, a number that is clearly not realistic but indicates why SB 6 and the batch process is so important. The projection is a snapshot which does not incorporate all of the required rulemaking aspects of [Project No. 58480](#): Establishing rules for forecasting the future demand of large loads. That rulemaking was just implemented, and for the first round, ERCOT and the PUCT could not implement all of the requirements. Projections should get better once that rule is fully implemented. Indeed, ERCOT and the PUCT agreed that an “adjustment” must be made for the the outer years, but even if the number in 2032 is actually closer to 110 or 120 GWs and not 367 GWs, the potential impact on grid reliability, customer cost, water use, and even air quality is clearly of concern.

TSP Data Center Submissions Comparison 2025 to 2026



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ERCOT Batch Process

Sierra Club participated in the ERCOT batch process proposals and was engaged through the stakeholder process. We understand the need for a more regional and statewide approach but do want to assure that the medicine proposed is focused on the right target, and that other users are not prevented from being served by the grid. We supported PGGR 145 overall, and await the results of the study early next year.

SB 6 Rulemakings at the PUCT

The Sierra Club has been engaged in all five rulemakings at the PUCT and we are generally pleased with the efforts of the agency, though we continue to argue for a lower threshold of who the rules apply to. In particular, we have argued that transmission-connected large loads between 25 MWs and 75 MWs should also be included. We believe that the PUCT should make a decision on transmission cost allocation by the end of the year. The Sierra Club favors an approach which would base transmission costs on a combination of overall energy use and peak demand over all 12 months, which we believe would be a fairer way to allocate costs to all users rather than the 4CP approach, and should lower the potential that ratepayers are

paying the cost of transmission mainly used by large industrial loads like data centers. We also support a separate demand charge on these specific users.

[Project No. 58479:](#) Establishing rules for new large loads that will be located with an existing generation resource

We are generally supportive of the ultimate adopted rule, though somewhat concerned that ERCOT seems to be treating dispatchable and non-dispatchable existing generation the same, even though reliability concerns are greater when a large load co-locates next to a large gas, coal or nuclear plant. Indeed, because many renewable resources are located in areas facing transmission congestion, locating at renewable sites can actually make our grid more efficient. We hope that ERCOT and the PUCT will treat these co-locations arrangements on a case by case basis to assure that reliability and costs are not put on other customers.

[Project No. 58480:](#) Establishing rules for forecasting the future demand of large loads

Again, we were generally pleased with the outcome, though we disagreed with the decision not subjecting “medium” loads to the same forecast process. Again the latest ERCOT projection is a first stab and these projections should improve as the rules are fully implemented.

[Project No. 58481:](#) Establishing standard rules for connecting large load customers to the ERCOT grid

We are in general support of the staff recommendation, although again we would apply the requirements to all large loads over 25 MWs. We have suggested more of a sliding upfront MW fee, from \$25,000 to \$75,000 depending upon the size of the large load, and that up to 50 percent could be reimbursable if certain conditions are met, such as being operational for at least three to five years. However, there must be an upfront fee to protect consumers against speculation. Having large loads come to ERCOT, cause transmission buildout and then having those loads not materialize would be devastating to consumer costs.

It’s important to note that under our present system, large loads are generally not paying large upfront costs for interconnection and the result is that many of these costs are being shifted to other ratepayers.

[Project No. 58482:](#) Developing a paid service for procuring power use reductions from large loads to help balance supply and demand on the grid.

This rulemaking has just begun and there is currently not a final proposal for comment. We are of the opinion that the service should attempt to mirror ancillary service methodologies, though we recognize it can not be run in the same way because of notice and other requirements. We do continue to call for a similar service for residential users. Within ERCOT, large loads are already being paid through services like Emergency Response that do not offer the same opportunity for small commercial and residential consumers.

[Project No. 58000](#): Rulemaking to Update Wholesale and IOU Retail Transmission Cost Recovery in the ERCOT Region

This is the most important rulemaking in our view because it helps determine how transmission is paid for going forward. The PUCT had an initial proposal in Project No. 58484 which they strengthened in Project 58000, responding in part to a directive from the governor. We agree the current system of 4 CP socialized transmission costs is unfair to residential and small business consumers. Sierra Club agrees with the staff proposal to move from 4 CP to 12 CP, but we have also suggested including an energy use component (75% peak use, 25% energy use). By moving to such a hybrid approach, the CP would continue to provide an incentive to lower peak use, but also make the cost more reflective of how transmission is utilized. We do support the separate demand charge being suggested for all large loads subject to Project No. 58481, though we would apply that charge to all loads with at least 25 MWs demand.

Project No. [58317](#). Updates regarding the overall implementation of SB 6.

This is a catch-all project where issues like the batch zero process are discussed. The Governor's letter and a response have also been filed in this project.

Additional Community Protections from Large Loads

Cost should be borne by developers and operators, not other ratepayers

We are in agreement with the calls from both political parties that residential ratepayers should not be paying for the costs associated with large electric loads. Large electric loads must be

required to pay separately for 100 percent of the costs necessary to service them, including transmission and energy use, distribution and financing costs. While not the subject of this committee, we have similar beliefs for water use and treatment and wastewater treatment, water distribution, and financing costs.

The Legislature could also consider passing a requirement that all private electric utilities, cooperative and municipal utilities develop a specific large load tariff schedule, which is the official pricing structure set by utility companies, including rates based on energy consumption, demand charges and other charges (such as service fees). Large-load customers must be subject to a tariff schedule that is equal or proportional to the costs of serving them, mitigating the risk that other classes of retail consumers are paying unwarranted costs. This may include instituting a new tariff schedule or amending an existing tariff schedule.

Utilities can also set rate surcharges for capital improvements such as the capacity expansions and other work often needed to serve large new industrial customers, but those costs are distributed among all ratepayers. We recommend updating statute to ensure current ratepayers are not asked to foot the bill when data centers and other large new facilities come to town.

Transparent Reporting / Effective Planning Requires Transparency

Annual Reporting. To accurately understand the impact of any energy and water user and ensure our state's long-term water and energy supply remains secure, we need detailed information about how much water and energy is being used. Large computational loads should be required to register with the PUCT and report annually. The lack of transparency and use of non-disclosure agreements in data center development prevents a clear understanding of their energy and water consumption and hampers water and energy supply planning at the state and local levels. Effective planning guides strategic investment and supports smart growth in Texas. This all relies on good and accurate data. We recommend requiring data centers to report annually to the PUC on energy use, peak and overall, energy sources used, cooling systems used, total water consumption (peak water use and total water use), and water sources, including the amount diverted, to enable a fair assessment of their energy and water use and impacts on local water and energy resources. The PUC should share this data with ERCOT and TWDB to be used in the regional and state water planning process, as well as with TCEQ for their regulatory functions. Reporting could also include information on any backup power technology utilized. We strongly suggest that these requirements be placed on any transmission-level large load customer of 25 MWs or greater.

State Public Website: Require PUCT to design, implement, and maintain a publicly accessible website to provide information about all data centers and other large electric facilities in the state, including water and energy use.

NDA (Non-Disclosure Agreements) are secrecy contracts signed between a data center developer and local governments that prohibit the government from sharing information about the data center development deal with the broader public. While there could be some legitimate trade secrets that might make sense to protect, the Legislature should establish guidelines that prohibit NDAs around information that should be available to the public, including:

- Water use, cooling technology and water sources
- Energy use and sources
- Wastewater discharge
- Use of backup generators

Water and Energy Efficiency Requirements / Ensure Data Centers (& other Industrial Water Users) Are Good Stewards

Data center designers consider several variables when selecting a facility's cooling technology and energy use and may find themselves choosing between options with varying levels of efficiency in their use of water and energy. We recommend establishing statewide design standards requiring the default selection of the most efficient feasible technology and other processes that typically utilize or consume energy and water, including the utilization of dry cooling technologies where possible.

In addition, the Legislature could direct SECO to adopt a statewide building code for large industrial loads that would be a state minimum and require large loads to meet certain building code standards, including water and energy efficiency. The Code should be based on codes developed by the International Code Council.

Mitigation Requirement: Let's help Texans conserve their resources and mitigate large load impacts

To offset resource consumption and balance the impacts of development with long-term benefits, data center developers should either be required or encouraged to contribute to programs that reduce energy and water use, including weatherization, energy efficiency, and water conservation and water production programs, or even land conservation efforts.

We recommend exploring:

- Requiring the developers of large electric loads industrial facilities to contribute to programs in amounts commensurate with the amount of water and energy they consume (based on data submitted annually to the PUC), so that their

impact can be reduced with reductions in residential and small commercial use. This could for example be a program like “Bring your own distribution capacity” (BYODC) where large loads work with local utilities and communities to bring efficiency and resilience measures to the local distribution grid, or programs to incentivize water conservation, land conservation and water development. Let’s make the large loads actual contributors to local solutions, instead of impacts. Large loads could either help design the programs themselves, or pay into a mitigation fund, perhaps overseen by a state agency like SECO, TDHCA or even TWDB.

- Requiring developers to implement Community Benefit Agreements with local or regional entities where they are located to do the same as the above.

County Authority

The legislature has a difficult balancing act to grant counties the authority to manage land use outside city limits. While we do not favor giving counties the ability to ban or place moratorium on development, we do believe that counties need more tools to protect their citizens from growth and development that does not reflect the unique circumstances of their counties. We believe there is a “sweet” spot of reasonable county regulations. Counties need additional authority to manage impervious cover, stormwater and drainage management, landscaping standards, and other land use issues for flood management purposes. This authority would be useful in managing the development of large industrial facilities and limiting their impact on flood severity, aquifer recharge, and other important issues. We recommend counties be given the authority to collect drainage fees and manage impervious cover to mitigate the impacts of large industrial developments on flood severity, and also have more authority over setting building code standards and enforcement of those codes, including through direct or third-party inspections.

Air Quality Concerns

We recognize that the Senate Committee on Business and Commerce does not generally deal with air quality issues, but they are paramount to address as the grid incorporates more and more data centers and other large loads that rely on backup and onsite generation, often fueled by gas and diesel engines.

Many large data centers are proposing to add significant generation resources, many of which have significant air quality impacts. Often these onsite generation resources are located in communities that are already suffering from poor air quality measures, impacting local air quality, health and wildlife. These emissions can also contribute to the conditions leading to extreme weather.

Cloud compute and artificial intelligence data centers are almost always built with substantial on-site backup diesel generation to ensure continuity of operations even during power outages. In many cases, the number of these (typically uncontrolled) 2-4 megawatt on-site generators are sized to match the capacity of the data center, and it is increasingly common to have large data centers with dozens or even hundreds of backup diesel generators. Each of these generators produce the equivalent emissions of several diesel trucks. The Sierra Club recommends that the Texas Legislature consider several policy options to seek to mitigate the air quality impacts of diesel generators at data centers. These include:

- Mandate that air permits assess cumulative emissions & simultaneous operations
- Mandate transparency, public comment, and reporting for minor sources
- Prevent expansion of “emergency” conditions that allow for operation of diesel units
- Require back-up generation require Tier IV controlled generators and/or battery storage

- ***Managing the Impacts of 765-kV Transmission Lines on Private Property Rights***

While the Sierra Club understands the need to build large transmission infrastructure, we are concerned by the cost, private property rights and the routing decisions which could impact important habitat, and natural resources. As an organization we neither supported nor opposed HB 5066 which led to the Permian Basin Reliability Plan and paved the way for the STEP, which authorized five separate large 765-kV transmission lines, which could cost some \$33 billion - or more. We do understand that a 765-kV transmission line can be advantageous for the state since it is more efficient and can carry more power over its lines.

During the development of the Permian Basin Reliability Plan we did express a concern that large transmission lines appeared to be being authorized not only for oil and gas operations - which was the basis for the legislation - but also for large data centers, many of which could be speculative. It would be interesting to look at the transmission plan again, now that ERCOT has initiated the batch zero process.

While we have followed the routing and transmission cases for the three main West-East lines authorized under STEP, and filed some comments we have not interceded as a party. Still, we are concerned about:

- The lack of transparency and notice for landowners and counties;
- The barriers for certain stakeholders - such as county officials - to participate in contested case hearings on routing transmission lines;

- The failure of utilities to “ground-test” their proposed routes with the realities of the local terrain and ecologies;
- The fairly limited bands of routes that utilities are considering;
- The multiple crossings of rivers and flood-prone regions and important ecologies;
- The truncated timelines for communities to have their voices heard .

While a 180-day process might be reasonable for some transmission projects, for 765-kV lines spanning 100s of miles it is not. The legislature should consider major reforms to the future development of 765-kV lines, including expanding the timeline from 180 to 360 days, a more thorough analysis of alternatives, allowing easier access as an affected person with standing and enhanced notice requirements.

We also hope the legislature will also look at other transmission solutions like Enhanced Grid Technologies and Reconductoring. Finally, we are supportive in general of the need to always consider alternatives to transmission lines, be that local generation, distributed energy resources, demand response or other “non-wires alternatives (NWAs).” While utilities have a built-in financial motive to want to build large expensive transmission lines, making them look at alternatives - including contracting other resources to meet a transmission need - should be on the table.

The Sierra Club appreciates the opportunity to offer these comments to the committee.