



PO Box 4998
Austin, TX 78765
512.477.1729
lonestar.chapter@sierraclub.org

sierraclub.org/texas

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,
cyrus.reed@sierraclub.org, 512-888-9411

Re: **Modernizing Transmission and Enhancing Affordability**: Consider proposals to improve transmission planning, construction, and ratemaking processes to protect everyday Texans from rising electricity costs. Evaluate ways to maximize existing transmission infrastructure and reduce congestion through the integration of residential distributed energy resources, energy storage, and other grid technologies. Review ERCOT's proposed changes to its interconnection process to determine what guardrails should be enacted to increase transparency and accountability, and support continued investments in the state.

September 30, 2026

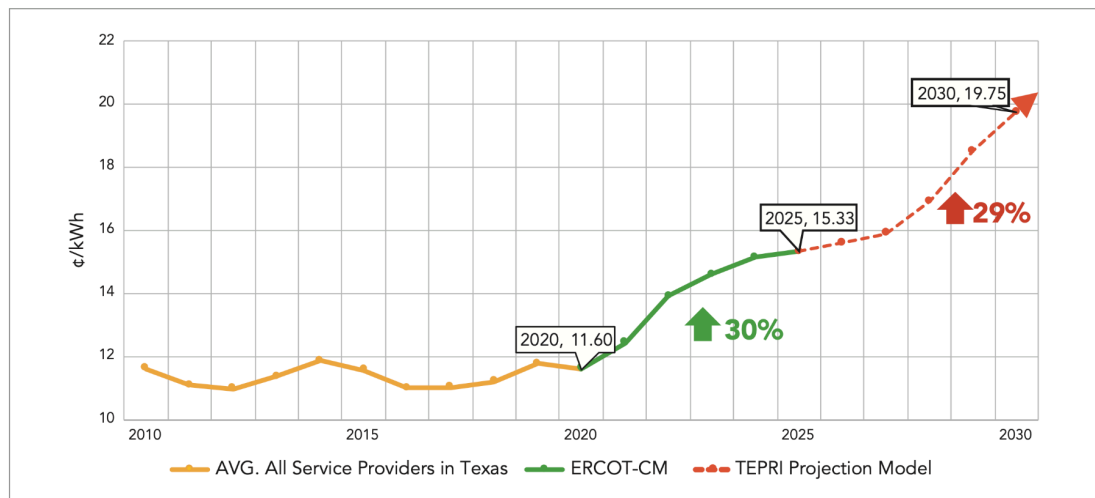
Sierra Club's Comments Regarding Improving the Transmission and Ratemaking Process, Including Integration of DERs

The Sierra Club Lone Star Chapter representing more than 21,000 members across Texas submits the following comments to the Senate Committee on Business and Commerce. We appreciate the Committee's attention to improving the rate making and transmission planning process in Texas and the opportunity to provide our recommendations for either additional regulatory or legislative action. Texas is blessed with abundant natural resources and a robust economy, but we need Texas solutions to assure that our economic development is accompanied by a strong, and clear regulatory framework that protects our communities and keeps bills low.

Background

Texas residential electric bills are rising due to a combination of factors. Within ERCOT, a recent report by TEPRI found that average household bills in the deregulated market rose by 30% between 2020 and 2025, and that bills would be expected to rise another 30 percent over the next several years.

Figure 1. Texas Average Residential Electricity Price 2010–2030 (¢/kWh)



i For the purposes of this analysis, “ERCOT Competitive Retail Market” refers to data combined for the three major ERCOT TDUs residential customers. TNMP and LP&L were excluded because they serve less than 5% of the load in ERCOT. Municipal Electric Utilities and Electric Cooperatives were beyond the scope of this analysis.

Unfortunately, a large part of this rise in prices is due not to the rise in the cost of electricity, but instead to an increase in the distribution and transmission part of the bill. Thus according to recent data, the amount of the average household bill attributable to delivery charges has increased from roughly a third in the deregulated ERCOT market to between 47% and 53% depending on the TDU.

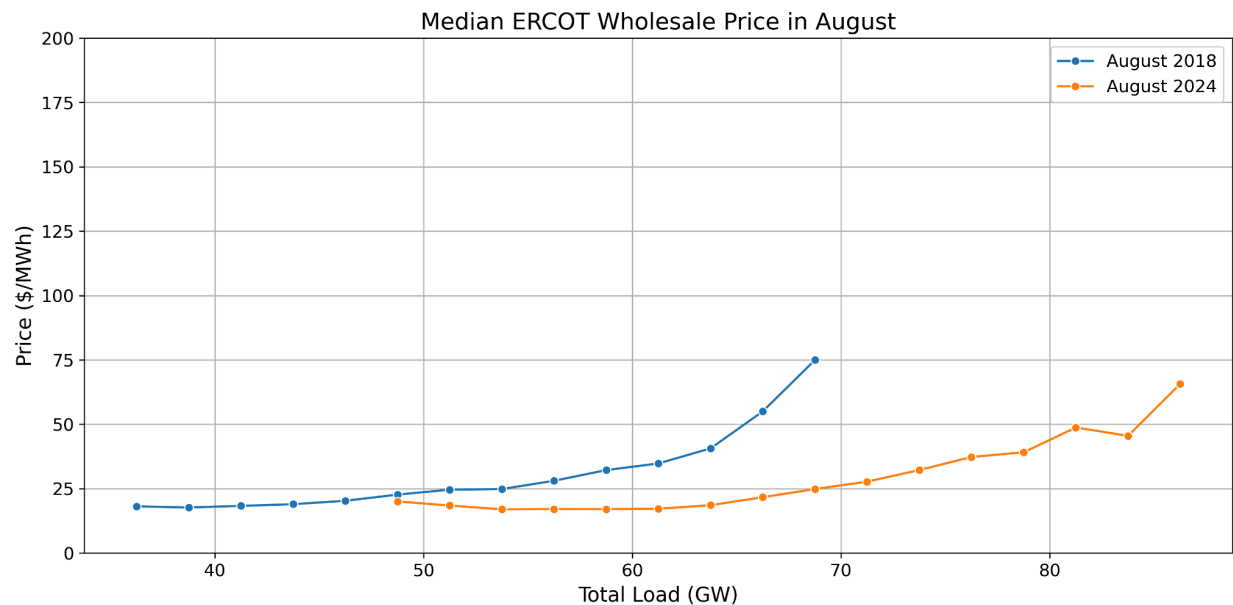
Average Residential Transmission and Distribution Bills, ERCOT deregulated market

	Oncor	Centerpoint	AEP–Central	AEP-North	TNMP
March 2020	3.5271	3.4485	4.2286	3.5805	4.1194
June 2026	6.1196	5.1461	5.8272	5.6677	6.4665
% Increase	73%	49%	39%	58%	43%
% of Bill	50%	47%	49%	44%	53%

The legislature has made it easier for TDUs to raise costs on consumers in recent years by allowing for more frequent distribution tariffs, and giving the PUCT less flexibility to deny rate increases.

Finally, the diversification of our energy resources - with a significant rise in solar and battery storage energy since 2021 - has actually been beneficial, particularly in summer months, where wholesale electricity prices have generally been lower in recent years.

Chart - Increase of Solar and other Renewables Has Reduced Wholesale Prices on Hot Summer Days



Note: When comparing August of 2018 and August of 2024, there was a rapid build-out of solar power, with the average daily peak production increasing from 1.2 GW in 2018 to 18.8 GW in 2024. Prices were lower in 2024 than 2018 in August because of this rise in renewables, which has zero marginal costs - sunlight is free!

Source - <https://www.theclimatebrink.com/p/how-renewables-are-saving-texans>

Solutions: Allocate Costs Appropriately, Bring Back Integrated Resource Planning, Engender Competition in Transmission and Distribution, and Grow Local Energy Solutions

Rate Reform

Sierra Club was a supporter of SB 6, in large part because it required large loads to pay for interconnection studies and interconnection costs, but also required the PUCT to look at how we allocate transmission costs.

PUCT must finish the job and change our current 4 CP 15-minute transmission cost allocation to a new system, such as the proposed 30-minute 12 CP proposal with a minimum demand charge.

In addition to this proposed change in PUCT Project 58000, Sierra Club would support:

- Lowering the threshold of large loads that would be subject to the minimum demand charge and interconnection standards from 75 MWs to 25 MWs;
- Requiring all private and public utilities to develop a separate rate tariff for all large computational loads of 25 MWs or greater to assure they pay 100% of their energy costs;
- Considering a required community benefit agreement or state mitigation fee to help pay for residential energy efficiency, water conservation, land protection and payment assistance programs.

Sierra Club supported SB 1664 by Sen. Charles Schwertner which has required specific disclosures when a transmission and distribution utility files a base rate application at the PUCT and again when rates are ultimately set. We support this new law because it has led to more transparency and clarity in information like the revenue the utility is seeking and the specific impacts on customer rates. *In general we need to be able to see the specific charges on a utility bill so customers understand where costs are coming from.*

Moreover, SB 1015, also passed in 2023, shortened the review period for the Distribution Cost Recovery Factor (DCRF). It allows the TDU to change those prices twice annually through an expedited 60-day process, similar to the process used for the Transmission Cost Recovery Factor (TCRF) for decades. Today, TDU charges make up 45 to 50 percent of a consumer's bill, and they continue to rise. Less than a decade ago, those charges accounted for one-third or less. If you want to change that, a good first step is to rescind SB 1015 and other statutory provisions that allow DCRF and TCRF changes twice a year in an expedited process.

Similarly, outside of ERCOT, the Legislature last session approved SB 1856 - specifically for Entergy Texas - to allow the utility to recover capital costs on an annual basis, if those costs are

required by a federal or regional entity. Sierra Club fears that bills like SB 1015 and SB 1856 give utilities too many opportunities to continually raise certain costs every year, with little ability for the PUCT to push back on these costs. The Legislature should consider changing these near automatic raises in consumer rates.

In addition, Texas should consider moving rates to a performance-based system, with rates based on:

- Customer service performance
- Interconnection performance
- Reliability metrics down to the level of
- individual neighborhoods
- Cost and efficiency metrics

Transmission Planning

Sierra Club is not opposed to the development of 765 kV lines, since they can be more efficient at carrying energy and take up less land than double-circuited 345 kV lines, but the process of selecting and routing the lines enabled by HB 5066 has been unfair to Texans along the proposed routes.

The legislature should lengthen the 180-day timeline for major transmission lines to 360-days, and establish clearer and fairer procedures for the public to provide input - especially at the frontend when routing decisions are being considered, as well as during the contested case hearing process. 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, required ground-level truth-testing or proposed routes, allowing easier access as an affected person with standing and enhanced notice requirements.

Moreover, the legislature should consider requiring transmission and distribution companies to pay mitigation fees - such as contributing to the Texas Farmland and Ranch Conservation Program and wetland mitigation programs - to help mitigate the impact they have on working farm and ranchland and habitat.

Integrated Resource Planning

At one time Texas required the four utilities to go through integrated resource planning through a public process but today there is no single integrated planning requirement. Instead, the public and ratepayers are subject to multiple processes from Energy Efficiency Plans and Reports, to specific Generation Riders,



PO Box 4998
Austin, TX 78765
512.477.1729
lonestar.chapter@sierraclub.org

sierraclub.org/texas

to annual capacity cost, to transmission plans and cost recovery to distribution cost recovery (outside of ERCOT). And once every four years there is a base rate case.

EECRF: Recosts specific energy efficiency programs annually.

DCRF: Adjusts rates between base cases for distribution pole and wire investments.

TCRF: Recovers capital updates related to transmission towers and high-voltage lines.

GCRR: Permits targeted recovery for specific generation facility investments

Texas should consider bringing back a mandatory or voluntary Integrated Resource Planning Process which would look out over the next 10 years at generation, demand - including DERs and energy efficiency programs - transmission and costs in a public setting. The IRP could help guide the type of investments that are then considered in individual rate-making processes.

Let's Open Transmission and Distribution Planning to More Alternatives

Transmission and distribution planning in Texas has become dependent on whatever the individual utility wants, rather than a true assessment of the best system for all Texans. Texas should consider opening up some aspects of transmission to competition. For example, the Legislature could require major new transmission projects to be open to competitive bidding among qualified developers

Second, we should require all utilities to consider Grid Enhancing Technologies and Reconductoring as a first step. Last session, Sierra Club supported HB 5200 by Anchia, which required the evaluation and use of Grid Enhancing Technologies (GETs) and high-performance conductors in the ERCOT power region. We would support similar legislation.

Second, for both transmission but especially for distribution, we should consider a requirement that utilities have an RFP process for "non-wires" alternatives. In other words, if it is cheaper to consider whether local generation, distributed energy resources, storage, demand response or even energy efficiency could either delay or defer the need for an expensive upgrade, we should require the use of that "Non-Wires Alternative." This would be similar to the way we currently review generators when they are planning to retire in ERCOT - we assess whether we need to upgrade the transmission system, keep the generator running, or look at alternatives. We should back such a process into our distribution and transmission planning.

In 2021, Texas passed legislation (SB 415) in a very limited way to allow some "Non-Wires Alternatives" to be part of transmission plans. Specifically, Texas Utilities Code § 35.153 allows transmission and distribution utilities (TDUs) in Texas to contract with power generation companies to provide electric energy storage for reliability services. While that law was very limited in scope and has yet to be implemented fully, Texas could consider a more expansive use of non-wires alternatives this next session.



PO Box 4998
Austin, TX 78765
512.477.1729
lonestar.chapter@sierraclub.org

sierraclub.org/texas

Interconnecting and Enabling More Demand-Side and DERs

Sierra Club has been supportive of the expansion of customer-sited resources. In 2023, we supported SB 1699, which allowed retail electric providers to aggregate Distributed Energy Resources without registering as power generation companies, and also expanded the use of demand response for residential customers. Subsequently, the PUCT has moved its 80 MW ADER (Aggregated Distributed Energy Resources) pilot to ERCOT, where it is being expanded. The PUCT also passed new rules establishing new reporting and a goal for residential demand response programs, such as those utilizing smart thermostats.

Moreover, last session Sierra Club supported and the legislature approved HB 5323, which established the new Texas Energy Waste Advisory Committee, which is required to make recommendations to the Legislature in December. The Committee is charged with considering how to grow energy efficiency and demand response programs in Texas.

Sierra Club has been waiting for the PUCT to pass new interconnection standards for distributed energy resources that would help standardize rules, but the Legislature could pass its own statutes to ease the interconnection of these growing resources. We would also be supportive of specific legislation to specifically allow the use of "plug-in" solar devices along as they meet national safety standards.

In addition, the Legislature could consider passing legislation to establish a residential demand response trading program to help reach the goal required under SB 1699.

Finally, we have long advocated for expanding the existing energy efficiency programs administered by the TDUs in Texas. Energy efficiency is the cheapest, quickest and cleanest way to meet our energy needs. Last session, we supported SB 2994 by Johnson, but we believe one simple step would be to clarify that the required goals can not be met by "load management" programs which would force utilities to spend ratepayer funds on programs that actually reduce demand and energy use and benefit consumers. We also supported SB 783 - which did pass - which should allow the State Energy Conservation Office to consider and approve new building energy codes to reduce energy waste in new construction.

Protect Customers from High Bills and Disconnections

Texas is subject to extreme weather events and a changing climate. Not surprisingly, more Texans are subject to disconnection due to non-payment of electric and gas bills than any other state in the country according to national federal data released in April. That federal report shows utilities disconnected residential electric service 13.5 million times for unpaid bills in 2024, and residential gas service 1.6 million times. Texas led the nation with more than 3 million disconnections for electricity and more than 200,000 for gas, with the Oncor territory representing the largest number of disconnections with more than one million disconnections in 2024.

Table 2. Individual Residential Disconnections, 2024

State	Gas Disconnections	Electric Disconnections
Texas	206,372	3,028,150
Florida	30,852	2,177,337
Oklahoma	52,683	572,480
Tennessee	71,430	557,648

Table: Energy and Policy Institute Source: [U.S. Energy Information Administration](#)

Yet, Texas has no statewide payment assistance or weatherization program. Texas could consider such a program, especially one tied to payment assistance during weather extremes, which can jack up energy prices and energy use, putting Texans at real risk of disconnection. Combining this with some basic weatherization could help permanently lower bills for Texans. Last session, Sierra Club supported HB 1359 which passed the House but never got a hearing in the Senate.

Thank you for the opportunity to provide these comments. We look forward to working with the Committee during the interim and into the upcoming legislative session to assure that Texas continues to become an affordable state with reliable electric service, respect for private property, even with robust economic development and population growth.