



To: Dr. Charles Schwertner, Chair, Business and Commerce
Members, Senate Committee on Business and Commerce
From: Cyrus Reed, Sierra Club, Lone Star Chapter, cyrus.reed@sierraclub.org, 512-888-9411
Re: SB 1751 (Kolkhorst), Relating to the regulation and tax treatment of facilities in the ERCOT power region that demand a large load of interruptible power.

March 28, 2023

Sierra Club supports SB 1751

The Sierra Club both nationally and in the state of Texas has become increasingly concerned by the growth of the cryptocurrency and block chain industry. While Texas has been and is a pro-business state where we welcome new technologies and industries, cryptomining presents unique challenges and risks due to its risky profile, high energy use, and potential to increase pollution.

The integration of virtual mining and cryptocurrency into ERCOT is already happening and happening quickly with thousands of MWs already being interconnected, and by some accounts as much as 37,000 MWs that could be integrated into Texas loads in just a few years. This could overwhelm our electric grid, and cause us to massively build out our transmission system to serve loads that, frankly, may not even be here tomorrow, resulting in huge costs for other electric consumers and stranded transmission assets.

Sierra Club has a particular concern that such large loads will create new needs for dirty forms of energy, or extend the lives of power plants that are already slated for retirement, thus promoting more pollution.

SB 1751 tries to bring some balance to the system. While the bill does not prohibit any new cryptomining development, it does require all such loads to register with ERCOT as large flexible loads if certain conditions are met. It also allows such loads to participate in ancillary services for which loads can participate but caps the amount they can provide to 10 percent.

This is an important policy for the State of Texas because we could be in the strange situation where our ancillary service requirements are increasing because of the presence of virtual mining facilities, but we are then paying them to provide the very service that they are causing to be needed. In addition, because by its nature crypto mining is speculative and depends on low power prices, Cryptominers will not operate anyway when energy prices are high, meaning

that paying them for ancillary services for staying off when they already would be counterproductive and is an unneeded subsidy. Capping their participation is a good way to assure that such facilities don't take advantage of our market, and also crowd out other resources that are better positioned to provide ancillary services. While we support the provision, it is important to note that the provision does not prevent the facilities from engaging in demand response whenever they want, it just prevents them from getting paid extra by participating in some ancillary services. Thus, cryptominers would be free to participate in price-sensitive demand response activities.

Finally SB 1751 forbids local governments from entering into a tax abatement agreement under Chapter 312 with virtual mining and crypto mining facilities.

In addition to the provisions of SB 1751 we wonder whether cryptominers should also be required to post financial assurance and sign agreements to take away their equipment once their operations cease. We are concerned with the Texas land having computer and other heavy equipment abandoned and not returned to its original state.

The Sierra Club supports SB 1751 and thanks Senator Kolkhorst for bringing this important bill forward.