SIERRA CLUB
LONE STAR CHAPTER

March 23rd, 2023

To: Dr. Schwertner, Chair, Senate Committee on Business and Commerce
Members, Senate Committee on Business and Commerce
From: Cyrus Reed, Conservation Director, Sierra Club

SB 2012. (Schwertner) Relating to electricity services.

The Sierra Club believes there are good and bad aspects to the bill. While we can not support the bill overall since it could lead to the implementation of an expensive PCM (Performance Credit Mechanism) we appreciate the attempt to put guardrails on the PCM, and like much of the rest of the bill.

We support the changes in the bill related to voluntary mitigation plans, enforcement and the need to set seasonal requirements for ancillary and reliability services. We have long argued that because our seasonal needs are so different, focusing on winter and summer peaks, along with particular issues in the "shoulder" months makes sense. While we understand the effort to put some limits on a PCM going forward by stating that it could not be implemented if the net-costs were greater than $500 million, we think many of the provisions will be counterproductive. In particular, saying that a PCM can only be provided or earned by dispatchable generation cuts out controllable load resources like demand response from participating, which would lower the costs of the PCM. In addition, assigning the costs of the PCM to the generators themselves could be difficult. We do appreciate that the PCM could only be implemented after real-time co-optimization.

We support the formation of a grid-reliability committee and agree that market share controls are needed. While we are not taking a position on the percentage - be it 20 percent or some other number - establishing a limit on the amount of customers - makes sense. Clearly having two companies control more than 75 percent of the competitive market today is not what the Legislature envisioned when they deregulated the market.

We are very much opposed to Section O of the bill, which would require dispatchable power to be built by TDUs if the market did not produce at least 5,000 MWs of dispatchable power between June 1, 2023 and December 31st, 2026. While we view it as unlikely that the market won't build this amount in the near future, fundamentally we would be opposed to TDUs rate-basing generation into rates, and giving them an unfair market advantage over merchant power plants.