



# 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 6 (Schwertner). Relating to the establishment of the Texas Energy Insurance Program and other funding mechanisms to support the construction and operation of electric generating facilities.**

**The Sierra Club is opposed to this bill, as well as the accompanying SJR 1.** The bill would create the framework for building up to 10,000 MWs of gas-fired power plants as a backup to the ERCOT system as part of the Texas Energy Insurance Program. The bill would require the PUCT to issue an RFP and then guarantee the resulting constructors of these plants a guaranteed rate of return on the backs of ratepayers. While the resulting plants would only be used for emergencies when reserves dropped below 1,000 MWs, or for testing up to 336 hours per year, the cost on consumers would be potentially enormous. Even worse, if the assets become stranded, those stranded costs would also be paid for by all retail customers. In other words, if the assets work well we pay for them - if they don't we pay for them anyway.

The bill also picks the technology fix, essentially ignoring other technologies that could also serve as a backup service, like storage, solar plus storage, demand response or geothermal. The bill specifically says the plants could be located near population centers, meaning many of Texas's cities, already facing high smog and pollution levels, could be subjected to additional pollution in their airsheds. This non-market solution is the wrong solution for Texas. We already have a working backup system called Emergency Response Service which the PUCT is already increasing and ramping up in response to the events of Winter Storm Uri.

States like California tried a similar scheme of a backup service and it destroyed their energy market, and created massive waste and expense. This is the wrong solution for Texas.

Interestingly the assets could only be used when ERCOT reserves drop below 1,000 MWs, but again the existing Emergency Response Service and TDU load-management programs are already used effectively when reserves drop below 3,000 MWs, so SB 6 could create massive costs for consumers for no reason.

The bill would also create a state-financed “Generating Facility Fund” to help construct generating facilities within Texas. Importantly, these could be used for new or existing generation facilities. This would in essence create a state-backed financing authority for the construction of private generation facilities in Texas, similar to the SWIFT Fund for water. While at the very least this fund is available for all “dispatchable” generation, and not just “gas” plants, putting the PUCT (and a separate Trust Fund) in charge of administering a loan fund for private businesses is not good public policy. In essence you would have the same entity in charge of regulating the energy market in charge of providing low-interest loans for generators.

We are also concerned about having a separate advisory committee consisting of the Comptroller and members appointed by the Lt Governor and Speaker, further putting political decision-makers into potential decisions made about the fund.

Unfortunately, we think this bill and the SJR are the wrong solution for Texas, will be expensive, and will actually undermine the market. With the backup service in place, Texas investors will be less - not more likely - to invest in Texas.