



# 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 7 (Schwertner). Relating to the reliability of the ERCOT power grid.**

Sierra Club believes that this bill contains both good and less good provisions. We can not support the bill as filed, but believe it can be improved.

First, we oppose the change in cost allocation contained in (b) (6), which would change cost allocation from all loads, to a complex formula consisting of loads, dispatchable generation and renewable energy generation. This is a fundamental change in our market structure. Currently, loads pay for ancillary and other reliability services and we do not try to “assign” costs to generators - whether renewable or thermal. We also believe the proposed formula - based on the resources’s proportion to their contribution to net load variability over the highest 100 hours of net load in the preceding year - is not the correct methodology to assign costs. It is also very unclear how resources like storage would be considered in setting the cost allocation since storage can be both loads and generation. Would storage be ‘Netted” out from the load as renewable energy or would it be counted as a resource to meet net load? Are the 100 hours of net load actually the hours when Texas has the greatest operational problems?

That being said, while we do not support the changes in (b) (6), we do support the creation of an *ancillary services program that requires load serving entities to purchase dispatchable reliability reserve services on a day-ahead basis* to account for market uncertainty. We do want to make sure that the reserve service could allow both generators and loads to participate, but do support the need for an additional ancillary service. In fact we believe

that the creation of such a product - sometimes called an “Uncertainty” product or a DRRS would work well with our existing market structure.

Furthermore, while we do not object to the requirement of an annual report on dispatchable versus non-dispatchable power, or calculation of transmission costs, the bill as written only has the report focused on costs associated with non-dispatchable power, instead of a wider report on transmission costs. It makes no sense to somehow only report on transmission costs as if they can be separated out to only focus on non-dispatchable power since transmission serves loads and all kinds of generation.

In summary, while we are supportive of parts of the bill, overall the bill seems intent on “punishing” non-dispatchable resources, even though they are cleaner and cost-effective. As such the bill could prevent Texans from enjoying continued investment in these clean resources. We would suggest continuing to pay for ancillary and reliability services through our efficient market structure that has served Texas well.