



SB 1941 Ensures Energy Storage Remains Competitive

The electricity industry in Texas is divided into three segments: generators, transmission and distribution utilities (TDUs), and retailers. Since restructuring, generator-provided support functions for TDUs have been explicitly and appropriately excluded from TDU activities. In 2011 the Legislature confirmed that energy storage and batteries are appropriately defined as electricity generators.

TDUs have petitioned the Public Utility Commission (PUC) to allow them to put batteries in their rate base, which would upend the careful segmentation of the electricity industry in Texas and subsidize energy storage generation resources through captive ratepayers. The PUC in turn asked the Legislature for guidance.

SB 1941 provides that guidance, affirms existing law, and underscores the need to maintain these three separate segments – with generation and retail in the competitive space and TDUs in the regulated arena.

SB 1941 RECOGNIZES THAT TEXAS' SUCCESSFUL MARKET RELIES UPON FAIR COMPETITION BETWEEN MARKET PARTICIPANTS

TCPA **SUPPORTS** the passage of SB 1941 because it ensures energy storage resources will be maintained in the competitive market.

- The bill establishes parameters for TDUs to contract with a competitive power generator to address a specific reliability issue, and appropriately delegates rulemaking authority to the PUC.

TCPA **SUPPORTS** SB 1941 because it strikes a balance to provide additional tools to TDUs while protecting the integrity of our competitive market and customers.

- Contracting for energy storage reliability services must be more cost effective than traditional TDU infrastructure.
- The total amount of storage that ERCOT TDUs may contract is capped at 40MW and allows the PUC to determine the allocation.
- TDUs that contract for such energy storage are allowed a reasonable return on the contract payments.
- Power generators that contract with TDUs would be responsible for any penalties associated with a failure to perform, holding TDUs harmless from associated violations.

SB 1941 AFFIRMS THAT COMPETITIVE ENTITIES SHOULD BEAR THE FINANCIAL RISK OF DEVELOPMENT, NOT TEXAS CONSUMERS