

Senator Jessica Bell
District 33
SB 2206

This bill relates to rate recovery for investor owned utilities (IOU) regulated by the Public Service Commission. The language expands the opportunity for dispatchable on-demand generating units and their ability to recover reasonable costs in rates for power purchase agreements to help protect grid reliability, as well as for investments made in carbon dioxide capture and sequestration investments.

IOUs are for profit entities that generate and distribute electricity and are bound by regulations at the state and federal level in those activities. Our current regulatory structure is set up in a way that incentivizes new investments in brick and mortar generation. So in order for IOUs to continue to profit, an obvious goal of a company, they need to tear down old and build new. There is nothing to incentivize IOUs to continue operating equipment not generating a new rate of return, already paid for, and, not to mention, struggling to bid profitably into a very distorted electricity market.

The current regulatory structure is built around incentivizing new projects, something that has worked for the electric generation business community for years. As electric generation has changed and reliability has become a focus, so must our regulations change with it. For example, just this week alone, both Midcontinent Independent System Operator (MISO) and Southwest Power Pool (SPP) have issued emergency alerts instructing their end users to conserve energy because supply was approaching the point it couldn't meet demand. SPP also subsequently issued an emergency alert taking that one step further, announcing controlled interruptions of service as decided by utilities. The next step is controlled power interruptions by SPP itself. The system in Texas, ERCOT, experienced more demand than it did load by a large margin this past week, something that's been anticipated in a scenario like this for the past two years, resulting in rolling blackouts anticipated to last for a mere 45 minutes, some of which have stretched past 6 hours.

You may hear concerns that we are not in charge of reliability on the system. We are not. Ultimately, the regional transmission operators and individual utilities currently are. We've been told to trust they will do their job to ensure in situations like we've experienced this past week, the power will be on. Given the events of this past week, it's incumbent upon us to ask the hard questions. It's time for us to evaluate our regulatory structure. It's time for us to put our own priority on reliability. It's time for us to take steps to alter the regulatory structure to help utilities keep assets in place that have proven to work, and this legislation is a small step in that direction.