

Texas Grid Reliability, Security & Ratepayer Protection

Amendment to SB 3 (87th Legislature)

Legislative Sponsor Brief

The Problem

Texas has a competitive electric market, but the current framework does not clearly require a project-by-project public-interest finding before every large ERCOT generation or electric energy storage facility moves from technical interconnection and registration into commercial operation. Existing law gives PUCT and ERCOT important tools for registration, weatherization, resource adequacy, market oversight, emergency preparedness, and critical-infrastructure protection. Those tools, however, do not fully require major generation and storage decisions to account for the total reliability, transmission, security, emergency-readiness, and ratepayer-cost consequences imposed on the ERCOT system.

The competitive market gives developers substantial freedom to choose technology and location. The gap is that the present framework does not require the broader system consequences of those choices to be evaluated before final market clearance: whether power is located where it is needed, whether it will perform during critical periods, what transmission, congestion, curtailment or grid-stabilization costs it creates, and whether equipment, software, remote-control systems or supply-chain dependencies introduce unacceptable security or public-safety risks.

As shown in the chart below, ERCOT's 2025 State of the Grid projections illustrate why this question is becoming more urgent. From 2025 to 2030, projected solar capacity rises from 37.4 GW to 84.6 GW (126%), wind from 40.7 GW to 51.1 GW (26%), and storage from 16.7 GW to 49.6 GW (197%), while thermal dispatchable generation only rises from 89.5 GW to 98.6 GW (10%). These capacity projections do not by themselves determine reliability, but they underscore the need to evaluate intermittent, storage, and dispatchable resources by their actual reliability contribution, location, deliverability, and total system cost.

Extract from ERCOT's "2025 State of the Grid"

SUPPLY: Fuel Mix Snapshot (MW Capacity)



Source: Extract from ERCOT, 2025 State of the Grid - Supply: Fuel Mix Snapshot (MW Capacity).

The Opportunity

Texas can preserve the benefits of its competitive electric market while adding a clear public-interest checkpoint for major grid resources. The proposed SB 3 amendment would require a PUCT Large Resource Reliability, Location, and Public Interest Finding for covered large generation and electric energy storage facilities (EESF/BESS). With ERCOT and transmission-provider technical support, PUCT would evaluate location, deliverability, reliability contribution, total system cost, ratepayer-funded transmission impact, cybersecurity, foreign-adversary critical-infrastructure compliance, emergency preparedness, and storage-facility safety risks before specified final market or state-support milestones. The developer proposing the project—not Texas ratepayers—would bear the reasonable costs of the required PUCT/ERCOT cost-benefit and reliability review, including necessary independent technical analysis.

Why This Matters to Every Texas Ratepayer

- **Put generation closer to demand.** Review proximity to major and emerging load centers, including data centers, AI facilities, high-density urban demand, and industrial growth.
- **Count the full system cost.** Consider transmission losses, congestion, curtailment, grid-stabilization needs, and the cost of new transmission - not simply nameplate capacity or project-level economics.
- **Reward dependable performance.** Evaluate dispatchability, accredited capacity, critical-period availability, fuel security, storage duration, weatherization, actual energy delivered, and contribution to ERCOT resource adequacy.
- **Protect the grid from cyber and supply-chain threats.** Review foreign-adversary exposure, software and firmware, remote access, control systems, critical vendors, and supply-chain dependencies.
- **Treat BESS safety as a critical-infrastructure issue.** Require appropriate review of thermal runaway, fire and re-ignition, toxic releases, emergency response, environmental impacts, cleanup, decommissioning, and local first-responder readiness.

New Federal Action Reinforces the Security Case

On August 26, 2026, President Donald J. Trump issued Executive Order 14420, “Declaring a National Emergency to Secure the United States Bulk-Power System.” Section 5(b) expressly includes battery energy storage systems within “bulk-power system electric equipment” and recognizes associated software, firmware, remote-access capabilities, lifecycle maintenance and update mechanisms, and other supply-chain dependencies as potential sources of unacceptable risk.

The order also addresses critical components, digital and maintenance services, and remote-access capabilities when the specified foreign-entity and security-risk criteria are met, including risks of sabotage, subversion, unauthorized access, malicious remote action, and supply disruption. It further notes the rapid growth of advanced manufacturing, data centers, artificial intelligence, and defense production and the resulting importance of abundant, reliable electricity.

Federal action supports the policy case, but Texas law should stand on its own. The Executive Order is strong evidence that BESS, digital controls, remote access, and supply-chain dependencies warrant critical-infrastructure scrutiny. The Texas framework should nevertheless preserve Texas authority to make independent ERCOT/PUCT determinations and should not depend on the continued existence of any particular Presidential Executive Order.

What the SB 3 Amendment Would Do

- **Reliability and resiliency.** Use measurable performance attributes rather than resource labels, including dispatchability, accredited capacity, critical-period availability, fuel security, storage duration, weatherization, emergency preparedness, actual energy delivered, and contribution to resource adequacy.
- **Transmission and location.** Require review of proximity to actual and forecast load, line losses, congestion, curtailment, transmission upgrades, and ratepayer-funded infrastructure before major projects receive final market clearance.
- **BESS / EESF safety and emergency readiness.** Coordinate electric-system review with existing and emerging Texas storage-safety law and the state and local authorities responsible for fire safety, environmental protection, emergency response, cleanup, remediation, monitoring, decommissioning, and financial assurance.

- **LSIPA, cybersecurity, and remote operation.** Align with Texas foreign-adversary critical-infrastructure protections and require protected disclosure and review of critical vendors, inverters, transformers, BMS/EMS/SCADA, communications, firmware, software updates, cloud services, and remote-access arrangements.
- **Enforceable control points.** Tie the required PUCT finding to concrete milestones such as final ERCOT resource registration, energization for commercial service, commercial operation, reliability accreditation, continued market participation where applicable, and state support.
- **Developer-funded review.** Require the project developer—not Texas ratepayers—to bear the reasonable costs of the PUCT/ERCOT cost-benefit and reliability analysis, including necessary independent technical review.

Why SB 3 Is the Right Vehicle

SB 3 already provides a Texas statutory foundation for electric reliability, weatherization, emergency preparedness, and oversight following Winter Storm Uri. This proposal builds on that framework rather than reconstructing Texas electricity law from scratch. Its purpose is targeted: strengthen the decision rules governing what connects to the ERCOT grid, where it is located, how reliably it performs, what system costs it creates, and what security and safety risks it introduces.

Local Government and State Agency Coordination

The proposal preserves existing areas of expertise. PUCT remains the electric-system decision-maker while relevant authorities - including TCEQ, TDI, the State Fire Marshal, TDEM, county emergency-management authorities, local fire departments, emergency services districts, and affected transmission providers - contribute within their existing environmental, fire-safety, emergency-management, and transmission responsibilities.

Legislative Ask

Prospective sponsors are being asked to support an SB 3 amendment giving PUCT and ERCOT express statutory authority to require a large-resource reliability, location, security, emergency-readiness, and public-interest finding before covered major generation or storage projects receive specified final ERCOT market clearances or state support.

The goal is not simply more capacity. It is the right capacity in the right locations, with the right reliability value, appropriate security and safety protections, and a total system cost Texans can defend.

Why Support This Amendment?

Support this amendment because it preserves the benefits of Texas's competitive electricity market while strengthening accountability for reliability, system cost, ratepayer impact, security, and public safety. It helps ensure that Texas builds not only more capacity, but the right capacity in the right locations, with the right reliability value, at a total system cost Texans can defend.

Federal action now reinforces the urgency of the cybersecurity and foreign-supply portion of that case. Texas can complement federal national-security protections with clear state requirements tailored to ERCOT and PUCT oversight, Texas reliability needs, ratepayer exposure, and local emergency preparedness.

Every Texas ratepayer will appreciate all legislators who make this amendment a priority in the upcoming Legislative Session.

Texas needs the right generation, in the right locations, with the right reliability—at a total system cost Texas ratepayers can afford.