Texas Senate Bill 6 and Impacts on Large Load Development in ERCOT

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On 12 February 2025, Texas Senate Bill 6 (SB6), authored by Sen. Phil King and Sen. Charles Schwertner, was filed. The low bill number on this indicates it is a priority bill and will likely have momentum. If passed, this bill will directly impact entities currently in or contemplating a co-location arrangement in the Electric Reliability Council of Texas (ERCOT) region. A co-location arrangement is where generation and load are located at the same point on the grid.

If passed, SB6 would require the Texas Public Utility Commission (PUC) to, "implement minimum rates that require all retail customers in that region [ERCOT] served behind-the-meter to pay retail transmission charges based on a percentage of the customer's non-coincident peak demand from the utility system as identified in the customer's service agreement." Many large load entities have pursued co-location arrangements to avoid transmission costs so if passed this will result in a shift. The bill would require the PUC to develop standards for interconnecting large loads in a way to “support business development” in Texas “while minimizing the potential for stranded infrastructure costs.”

Additionally, SB6, if passed, would require the PUC to establish standards for interconnecting large load customers at transmission voltage in ERCOT. SB6 would have these interconnection standards apply to facilities with a demand of 75 MW or more but allows the PUC to determine a lower threshold if necessary. As part of these interconnection standards, the large load customer must disclose to the utility whether the customer is pursuing a duplicate request for electric service in another location (both within and outside of Texas), the approval of that duplicative request would cause the customer to change or withdraw their interconnection request. This likely would result in the utility having a better sense of which large load will move forward in the interconnection queue versus those that are duplicative. The large load customer would also be required to disclose information about its on-site backup generating facilities. The bill would allow ERCOT, after reasonable notice, to deploy the customer’s on-site backup generating facility. As part of the PUC standards for interconnection, the large load customer would have to provide proof of financial commitment which may include security on a dollar per MW basis, as set by the PUC.

SB6 also requires a co-located power generation company, municipally owned utility, or electric cooperative, to submit a notice to the PUC and ERCOT before implementing a new net metering arrangement between a registered generation resource and an unaffiliated retail customer if the retail customer's demand exceeds 10% of the unit's nameplate capacity and the facility owner has not proposed to construct an equal amount of replacement capacity in the same general area. Additionally, SB6 would require a new net metering arrangement be consented to by the electric cooperative, electric utility, or municipally owned utility certified to provide retail electric service at the location. The PUCT would have 180 days to approve, deny, or impose reasonable conditions on the proposed net metering arrangement, as necessary to maintain system reliability. Such conditions may include:

- That behind-the-meter load ramp down during certain events;
- That generation reenter energy markets in the ERCOT power region during certain events; and
- That the generation resource will be held liable for stranded or underutilized transmission assets resulting from the behind-the-meter operation.

If the PUC does not act within the 180-day period, the arrangement would be deemed approved.

SB6 would also require large load that is interconnected after 31 December 2025 to install equipment that allows the load to be remotely disconnected during firm load shed.   Finally, SB6 would require the PUC to study whether 4 Coincident Peak transmission cost allocation is appropriate.

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