

Texas Lawmakers Pass Three Key Bills Amid Winter Storm Fallout

August 01, 2021

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There are three power grids in the lower 48 states – The Eastern Interconnection, the Western Interconnection, and Texas. Ninety percent (90%) of Texas’s electric load is managed by a grid operator, the Electric Reliability Council of Texas (ERCOT), that keeps the grid beyond the jurisdiction of the federal government. On February 14, 2021, this “electric freedom” came with severe consequences, as historic low temperatures swept across Texas, causing property damage and leaving roughly 70% of all Texans without running water or electricity during a six-day stretch of inclement weather.

Governor Greg Abbott was quick to call for reform to ERCOT, citing a lack of meaningful change following similar storm-related power outages and rolling blackouts in 2011. This Spring, the Texas Legislature and Governor Abbott worked to enact three key bills that lawmakers hope will aid in the oversight and management of Texas’s power grid:

Senate Bill 2

Senate Bill 2 (SB 2) modifies the governance of ERCOT. ERCOT board members will now be chosen by a newly established, three person ERCOT Board Selection Committee, composed of one member selected by each of the Governor, Lieutenant Governor, and the Texas Speaker of the House. The ERCOT Board will be reduced from 16 to 11, with eight members selected by the new selection committee. These eight members must be individuals with executive-level experience in related industries, such as finance, engineering, risk management or electric market design. SB 2 became effective immediately upon being signed by Governor Abbott on June 8, 2021. The enrolled version of SB 2 can be accessed [here](#).

Senate Bill 3

Senate Bill 3 (SB 3) requires the Public Utility Commission of Texas (PUCT) to set compliance standards, implement measures that ensure electric providers prepare their generation assets to withstand weather emergencies, and confirm such facility improvements are carried out. ERCOT will be responsible for routine inspections of generator facilities for compliance. Critics of this bill note that there is no deadline set to complete facility and generation asset weatherization, leading many to believe such improvements will be delayed several years. Also included in SB 3 is the creation of a statewide emergency weather notification system. SB 3 became

effective immediately upon being signed by Governor Abbott on June 8, 2021. The enrolled version of SB 3 can be accessed [here](#).

House Bill 16

House Bill 16 (HB 16) prohibits energy providers from offering wholesale energy products (that pass costs down to customers) to residential and small business customers. Soaring natural gas prices during the storm caused now-bankrupt Griddy Energy to issue electric bills in excess of \$10,000 to customers. This prohibition seeks to prevent residential customers, who are not in the business of commercial energy trading, from experiencing wildly volatile energy bills. HB 16 will become effective on September 1, 2021. The enrolled version of SB 2 can be accessed [here](#).

These bills are a first step in curbing the effects of future weather calamities. HB 16 should be effective in protecting residential customers from the wild price swings seen last Spring, but whether SB 2 and SB 3 will result in meaningful change remains to be seen.