

# 2023 TEXAS 88TH LEGISLATURE WRAP UP



*After Winter Storm Uri in 2021 the Texas State Legislature passed a slew of bills aimed at increasing reliability to the Texas electric grid. However, there was still a significant need for legislative action this session.*

We saw a record-breaking summer in 2022 which set eleven peak demand records and an overall 9.5% increase in average load. The Public Utility Commission of Texas (PUCT) adopted the novel Performance Credit Mechanism (PCM) proposal to reform the wholesale electricity market which was estimated to cost Texans as much as \$5.7B annually without legislative intervention. The state continues to lead the nation in both electric production and consumption which during peak demand periods leaves Texans vulnerable to outages.

Both Governor Gregg Abbott and Lieutenant Governor Dan Patrick named grid reliability as their key priority. As a result, dozens of bills were filed that would directly impact the Texas grid. These bills ranged from supply-side generation incentives, bills attacking renewable resources and demand-side efforts, to increase energy efficiency, demand response (DR), and codify distributed energy resources (DER) into statute.

At the start of the 88th Legislative session, SPEER published our legislative priorities that we believed would address many of the reforms needed to assure Texans their leaders were enacting policies that would keep the lights on for everyone. We used these priorities to guide our efforts when educating our elected officials and to provide impactful solutions to increase the reliability and resiliency of the grid. In total SPEER tracked over 180 bills this session, participated in meaningful conversations with policymakers and stakeholders, and provided resource and support testimony to several pieces of legislation in the 180-day-long regular session.

## SPEER Legislative Priorities

- EERS Goal Improved Performance
- Appropriations
- Equity
- Workforce Development
- Updated Building Codes
- DR Residential Incentives
- Transmission Buildout
- Climate Action

Below is a list of pertinent bills that were considered. It is important to note, not all bills that passed out of both chambers may become law. The Governor's veto period ends on June 18th.

## Key Grid Legislation

**Governor and Lt. Governor Priorities:** As noted above, one of the key issues the state's top elected officials wanted to address and direct their focus on was grid reliability. Reliability in this case meant taking the form of dispatchable resources like fossil fuels, while aiming to hinder renewable resources like wind and solar.

[SB 7](#) was the Lt. Governor's top grid bill. It was intended to pick up where previous legislation SB 3 left off from the 87th session. It would ensure a minimum performance standard for new generation including firming requirements, implementation of a dispatchable reliability reserve service (DRRS) by 2024, requiring new studies of costs, among several other provisions. The bill ended up dying late in the session, but it was added as an amendment to [HB 1500](#), the PUCT Sunset legislation. In addition to the grid provisions, HB 1500 continues PUCT operations until 2029.

[SB 2627](#) was filed late in the session to fund new generation facilities with an allocation of \$10B in low-interest loans for new thermal energy projects. Both SB 2627 and its enabling legislation [SJR 93](#) were sent to the Governor's desk for final approval.

## **SPEER Priorities**

**EERS Goal Improved Performance:** Since being the first state in the nation to implement an energy efficiency resource standard (EERS), Texas has dropped to dead last of states that have such a policy in place. [SB 258](#) sought to make Texas competitive for energy efficiency again. After several iterations of the bill language, a final committee substitute was filed that would increase the state's energy savings goal to 1% of total sales by 2030. While this was not the same version of the bill that many stakeholders had worked on, it still represented what would have been a substantial boost to energy efficiency programs. For the first time since 2011, an energy efficiency bill was voted out of committee and out of the Senate. Unfortunately, it died in House State Affairs Committee after receiving a hearing. Another energy efficiency bill, [HB 4811](#) which would have established the Texas Energy Efficiency Council also died after passing out of one chamber.

While these bills would have been a large step forward, in our public testimony SPEER noted that there would still be challenges for utilities to implement a higher energy savings goal. In the interim, we will continue to work with stakeholders and the PUCT to consider revising program definitions and timelines, implementing a multi-year planning cycle, and adjusting cost-cap and avoided cost calculations to improve the state's efficiency efforts.

**Appropriations:** The only bill statutorily required by the State Constitution, the appropriations bill was approved late in the session. Important to the energy needs of the state, [HB 1](#) increased the PUCT FTE's by 39 individuals. As identified in the PUCT legislative appropriations request, the agency is planning to use some of these new employees to build out their energy efficiency office.

**Equity:** Several bills were filed over the course of the session that had equity provisions included. SPEER continues to support efforts by policymakers to increase the state's equity relating to energy burden costs.

**Workforce Development:** The energy sector remains a top source of employment for Texans. The Speaker of the House made workforce development a priority of his and we saw numerous bills filed that directly and indirectly impacted the energy sector in the region. While bills like [HB 1780](#) which would have created a program to assist workers in transitioning to clean energy jobs did not get out of committee, other bills like [HB 1755](#) were ultimately passed into law. HB 1755 establishes the Lone Star Workforce of the Future Fund to create a future workforce of qualified workers to fill emerging jobs in the state.

**Updated Building Codes:** In an impressive feat of consensus building, the Sierra Club, Texas Chemical Council, and Texas Association of Builders came together to support [SB 2453](#) which gives the State Energy Conservation Office the authority to adopt newer energy codes. SPEER dropped cards in support in both the Senate and House committees as the bill was passed and awaits Governor approval.

While SPEER applauds the Legislature for SB 2453, there is also concern for another codes-related bill. [HB 2127](#) is a state preemption bill that passed out of both chambers. It ostensibly prohibits local governments from adopting certain codes if those codes are not expressly authorized by another statute. The codes in question relate to the agriculture code, business and commerce code, finance code, insurance code, labor code, natural resources code, occupations code, or property code. Local governments already have the authority to adopt and enforce building and energy codes so those should not be impacted by this legislation. However, questions remain about how some of the affected codes may impact other areas of enforcement. During testimony, stakeholders shared concerns that HB 2127 would result in litigation across the state.

**DR Residential Incentives:** [SB 114](#) was filed and passed out of the Senate. This bill would require utilities to work with retail electric providers to develop residential DR programs. While the initial bill died in the House, it was added as an amendment to SB 1699. [SB 1699](#) is a bill that was passed that allows DER owners and aggregators to become part of the state’s grid and establishes rules for such operations.

**Transmission Buildout:** Transmission infrastructure planning remains an issue for Texas. Several bills were filed, but failed to move. These include [HB 1254](#), [SB 1287](#), and [HB 2848](#). SB 1287 drew the ire of renewable energy supporters due to the costs it would place on renewable resources. Parts of SB 1287 were added as amendments to HB 1500 adding transmission costs to some renewable projects.

**Climate Action:** While several bills were filed seeking to have the state study climate action or adopt a climate action plan, unfortunately, none of those bills gained traction. Even more concerning, [SB 1860](#) was passed and sent to the Governor. This bill makes it more difficult for local governments to adopt a climate policy in a municipal charter by requiring the entity to get approval from SECO.

Other Bills of Note

<p><b>Natural Gas Energy Conservation Programs:</b> <a href="#">HB 2263</a> relates to the establishment of a natural gas energy conservation program for natural gas distribution companies. This bill lays the groundwork for future energy conservation programs and promotes increased efficiency for natural gas consumers saving Texans money. This bill was passed and awaits the Governor’s signature.</p>	<p><b>Municipal Energy Providers:</b> Following the Winter Storm Elliott in February this year and the blackouts that resulted from it in Austin, several pieces of legislation were filed aimed at taking away authorities of the City of Austin’s municipal energy provider Austin Energy. All of these efforts were defeated and the bills died.</p>	<p><b>EV Registration Fees:</b> Several bills were filed aiming to add costs to the registration of electric vehicles in the state. <a href="#">SB 505</a> passed which would require a two-year registration fee of \$400 and annual renewal fees of \$200. These totals are twice as high as many other state EV registration fees.</p>
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## 89th Legislature Preview

While we are still in the veto period until June 18th, there is still much to be gleaned from this session as we look forward over the next two years. SPEER is hopeful that the Governor and Lt. Governor recognize the tremendous impacts that improved energy efficiency programs may have on the state and establish an interim study to review future changes that could be proposed. The last time the state commissioned a study on energy efficiency potential was in 2008. We anticipate additional efforts by lawmakers to punish renewable resources in favor of thermal resources. Additional guidelines may be issues relating to the PCM proposal, as well as DER and DR integration.

SPEER will continue to promote energy efficiency efforts in the region by bringing together diverse stakeholders to build consensus around well-researched, cost-effective policies. Through these efforts, we will be able to keep the lights on for all Texans when we need them most.



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