



April 6, 2021

Re: SB 3, SB 1278, HB 4466 and Other Amendments Affecting Ancillary Services in ERCOT

The Honorable Greg Abbott
Governor of Texas
Texas State Capitol
Austin, Texas 78768

The Honorable Dan Patrick
Lieutenant Governor of Texas
Texas State Capitol
Austin, Texas 78768

The Honorable Dade Phelan, Speaker
Texas House of Representatives
Texas State Capitol
Austin, Texas 78768

Dear Governor Abbott, Lieutenant Governor Patrick and Speaker Phelan,

I am writing on behalf of the U.S. Partnership for Renewable Energy Finance (PREF), an affiliation of leading companies that invest in renewable energy and are part of the American Council on Renewable Energy (ACORE). PREF companies have invested tens of billions of dollars in energy infrastructure in Texas. We are writing now to communicate support for reasonable policies to ensure electric reliability in the Lone Star State and to convey our serious concerns with amendments made to Senate Bill 3; Senate Bill 1278; and House Bill 4466.

All forms of electricity generation require support from ancillary services, but these measures would inappropriately and unfairly shift the cost of ancillary electric services exclusively onto renewable generators rather than all the beneficiaries of those ancillary services. It is important to note that the costs of ancillary services are unaffected by the level of renewable energy deployment. In fact, renewable deployment has grown more than 250% in ERCOT over the past decade, while ancillary services costs have remained relatively flat.

Texas has enjoyed more than \$60 billion in new renewable energy investment because it is blessed with abundant renewable resources able to provide low-cost electricity generation. Additionally, it has a large and diverse industrial sector and a rapidly growing technology sector, both of which are increasingly looking for access to local renewable power when making investment and siting decisions. Renewable energy development helped the state realize more than \$380 million in state, local and property tax revenues last year, along with lease payments to farmers, ranchers and other landowners totaling nearly \$250 million. These important revenues, including payments that school districts and local governments have been collecting and counting on, are placed at risk by the legislative proposals now under consideration.

Our companies have invested tens of billions of dollars in the state partly because of our confidence in Texas' historically friendly business environment. This trust would be undermined by proposed legislation like Senate Bill 1278, House Bill 4466, and the amendment found in Senate Bill 3 that retroactively rewrites market rules that were relied upon by investors and imposes onerous new cost burdens. Such changes would undercut previous investment decisions and erode confidence that the state will continue to provide the financial stability necessary for future energy investment.

It is important to note that these changes neither enhance electric reliability nor lower consumer costs. They appear to be premised on the assumption that renewable energy was disproportionately responsible for the state's February power outages, a thesis that has been unequivocally discredited. In fact, while wind power outperformed forecasts across the state during the vast majority of the outages, dispatchable generation did the opposite, with nearly twice the amount of thermal generation going offline versus what was predicted under ERCOT's "extreme generator outage" scenario. It is also relevant that the lights largely stayed on in



parts of Texas where power comes from the adjacent grid operator, SPP, which has a greater reliance on renewable energy.

The point here is not to praise or blame any form of electricity generation, but to suggest that legislation premised on an erroneous diagnosis of the reliability problem will not in the end work to enhance reliability.

Given these important considerations and the tremendous economic benefits renewable energy investment brings to Texas, we respectfully urge opposition to the provisions of Senate Bill 3 changing the ancillary services market, and to the similar provisions in Senate Bill 1278 and House Bill 4466.

Thank you for your attention to this important issue. Please let us know if we can provide additional information. I can be reached at wetstone@acore.org.

Sincerely,

Gregory Wetstone
President & CEO
American Council on Renewable Energy

PREF Member Companies

