Transmission and distribution utilities (TDUs) are required by law to interconnect new power generation with load. In the vast majority of cases, the renewable energy generator pays for the “driveway,” or the transmission infrastructure between the power plant and the TDU system. If an upgrade is needed on the TDU system to ensure safe operations and a proper interconnection, the TDU assumes that expense and recovers those costs through Public Utility Commission-approved rates. This system is appropriate because the driveway primarily benefits the generator, while other upgrades deliver systemwide benefits to the TDU ratepayers.

In addition to the driveway, all power plants consume electricity from a local provider. This “station service” powers the operations of the plants, generator start-ups, and other activities. This means renewable energy generators pay for both the driveway and transmission costs as an electricity consumer through charges on their monthly utility bill.

Today, some claim that interconnection costs for renewable power plants are a burden on consumers in Texas and seek to change the cost-allocation practice described above which has been effective for over two decades. These proponents fail to recognize the adverse consequences of such a measure, including:

- **Slowed growth** in the ERCOT power generation fleet due to unpredictable and higher-than-expected interconnection costs
- **Increased costs** to develop power plants, leading to more expensive power for consumers
- **A significant reduction** in local tax revenue and landowner payments from electric energy generation, hurting rural Texas communities that depend on it

If policymakers wish to address interconnection activities in ERCOT, it would also be appropriate to review those market participants who avoid their responsibility to pay for transmission, such as some large industrial consumers. By avoiding these charges, large consumers of electricity push costs to commercial and residential ratepayers. Renewable energy generators are unable to do this, meaning they pay for both the interconnection activities over the life of the project and the avoided charges from others.

While some costs to interconnect generation and load are ultimately borne by the consumer, each cost category is appropriately allocated to the benefiting party. There is no need to move away from efficient, long-standing ERCOT practice and adopt failed policies from other power markets.