June 12, 2024

Dr. Charles Schwertner, Chairman
Senate Committee on Business & Commerce
Texas State Capitol, 3S.5
Austin, Texas 78768

Via Electronic & Hand Delivery

RE: Written Testimony for June 12, 2024, Interim Hearing

Mr. Chairman,

On behalf of the Advanced Power Alliance (APA) and our more than 50 member companies, I want to express my appreciation for your continued work to enhance grid reliability for our growing state.

APA represents energy developers and operators of wind, solar, battery energy storage, and other energy generation projects in Texas and around the country. Collectively, capital investments made by our members in Texas exceed $110 billion to-date. As you're likely aware, Texas ranks first in the amount of installed utility-scale wind and solar capacity with 63,746 megawatts (MW), and trails only California in installed battery storage capacity at 6,775 MW.

APA member companies continue to invest in Texas. Our member companies' ability to consistently bring projects online is due in large part to two key factors:

- Customer Demand. The vast majority of APA member company projects in Texas are secured by long-term, fixed-price contracts known as power purchase agreements (PPAs) with large commercial or industrial consumers of power. The lower-cost energy and commercial predictability provided by a PPA enables businesses to keep operating costs low, helps justify additional investments, and attracts further economic development.

- Load Growth. The Electric Reliability Council of Texas (ERCOT) predicts peak load will balloon to more than 150 gigawatts (GW) by 2030, which is nearly double the record set in August 2023. With this rapidly increasing load growth, the state now requires *all* megawatts to meet its power demands and renewable energy is making significant contributions to reliability, while providing downward pressure on wholesale power prices.

In fact, on average, wind and solar are providing more than one-third of the power needs in ERCOT, while batteries continue to break records when the grid needs it most, such as on May 8, 2024, when a record 3,195 MW of energy was dispatched.

Looking ahead, the ERCOT queue lists more than 33,000 MW of combined utility-scale wind and solar in the advanced stage of development,[1] and some projections expect the amount of battery storage in ERCOT to increase two-fold by the end of this year. Additionally, and thanks to the efforts of this Legislature, the *Texas Energy Fund* received notices of intent seeking nearly $40 billion in financing for almost 56,000 MW of proposed dispatchable power generation projects.

[1] Projects with completed: Interconnection Agreement, Security Screening Study, and Full Interconnection Study.

As the ERCOT grid continues to evolve, there is a need for market policies that focus *less* on how resources perform *individually*, and *more* on how resources most effectively *work together*. A grid that recognizes the complementary strengths of low-cost renewable resources and battery energy storage, leverages these resources alongside a robust fleet of thermal power, and makes forward-looking investments in its transmission system is the most efficient way to achieve maximum reliability at an affordable cost.

Additionally, I'd like to raise the following specific issues for your consideration regarding the charges before the committee today:

- Electricity Market Design. At a recently held workshop discussing the Performance Credit Mechanism (PCM), the consultant tasked with developing the novel market concept laid out their modeling assumptions and interpretation of the statute which projects an annual cost to the market of around $21 billion, without proportional return in reliability. As was our position during the 88th Texas Legislature, Regular Session, APA supports the guardrails set out by the Legislature for the PCM – particularly to limit the net cost increase associated with the program to $1 billion annually – and we're hopeful these guardrails will be observed throughout implementation.

- Transmitting Texas Power. APA members in ERCOT are continuing to experience significant curtailment of the power they generate. This congestion on the transmission system increases the cost paid by ratepayers and, increasingly, is having a material impact on reliability. According to the Independent Market Monitor (IMM), congestion costs exceeded $5 billion in 2022 and 2023 combined, and ERCOT's most recent Energy Emergency Alert (EEA) on September 6, 2023, was largely due to constrained transmission lines in the South Texas region.

  We are encouraged by the investments under consideration to support load growth in the Permian Basin, as well as ERCOT's willingness to consider other high-voltage investments to strengthen reliability. Still, transmission can be one of the most cost-effective and efficient tools to ensure Texans have a reliable and resilient power grid, and we continue to encourage consideration of more robust long-term planning, as well as options to upgrade existing facilities so that stranded power can contribute to reliability. Failing to meaningfully improve the system now will likely result in more costly and frequent reliability events later. As several Commissioners have observed, *"today's economic problem is tomorrow's reliability problem."*

We appreciate your consideration of the above comments. If you'd like to discuss these issues further, please do not hesitate to contact me at judd.messer@poweralliance.org.

Respectfully submitted,

Judd Messer
Vice President, Texas