

# 2025 Texas Legislative Preview: Power and Data Centers

# Contents

I Who We Are and Why are We Here

---

II Texas Legislative Session Intro

---

III Texas PUCT/ERCOT Update

---

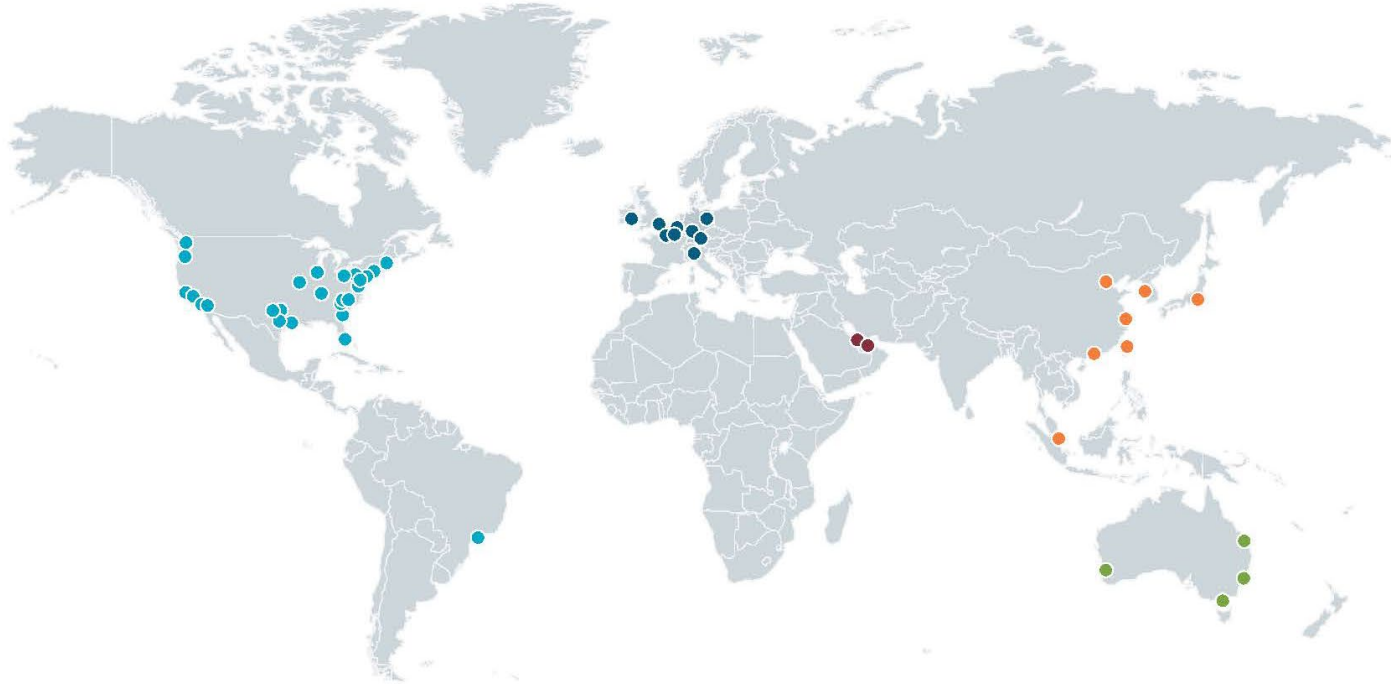
IV Texas Legislative Preview

---

V Conclusion

---

# Who We Are and Why Are We Here



## AMERICAS

- Austin
- Boston
- Charleston
- Charlotte
- Chicago
- Dallas
- Fort Worth
- Harrisburg

- Houston
- Kansas City
- Los Angeles
- Miami
- Nashville
- Newark
- New York
- Orange County
- Palo Alto

- Pittsburgh
- Portland
- Raleigh
- Research Triangle Park
- San Francisco
- São Paulo
- Seattle
- Washington, D.C.
- Wilmington

## ASIA

- Beijing
- Hong Kong
- Seoul
- Shanghai
- Singapore
- Taipei
- Tokyo

## AUSTRALIA

- Brisbane
- Melbourne
- Perth
- Sydney

## EUROPE

- Berlin
- Brussels
- Dublin
- Frankfurt
- London
- Luxembourg
- Milan
- Munich
- Paris

## MIDDLE EAST

- Doha
- Dubai

# Introduction to Texas Legislative Session

## Dates of Interest – 89<sup>th</sup> Legislature

- Interim
  - Monday, November 11, 2024 – First day legislators and legislators-elect may file bills for the 89<sup>th</sup> Legislature
- Regular Session
  - Tuesday, January 14, 2025 – 89<sup>th</sup> Legislature convenes at noon
  - Friday, March 14, 2025 – 60-day deadline for bill filing
  - Monday, June 2, 2025 – Sine Die. (Last day of 89<sup>th</sup> Regular Session)



# Texas PUC/ERCOT Update – Virtual Currency Mining Registration

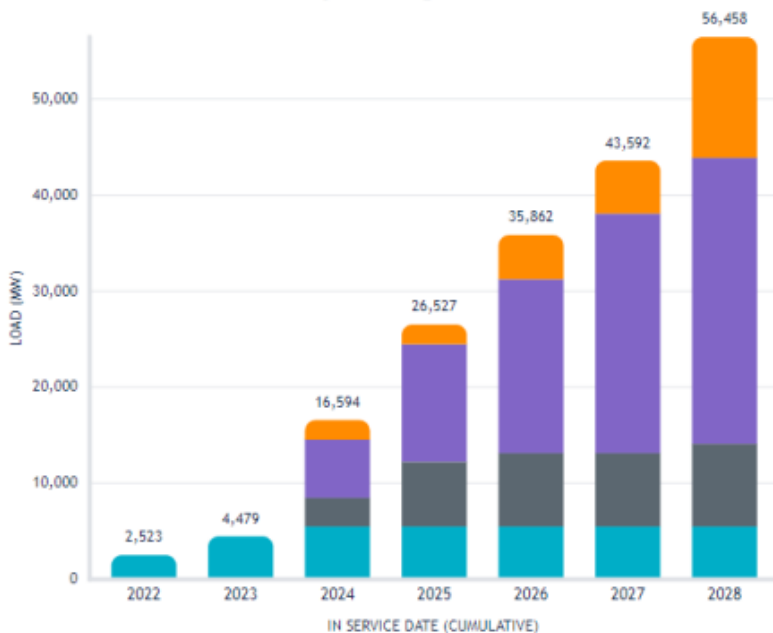
- Proposed rule implements PURA § 39.360 as enacted by Senate Bill (SB) 1929 from the 88<sup>th</sup> Texas Legislature.
- Proposed § 25.114 establishes a process for the registration of virtual currency mining facilities in the ERCOT region that demand a large load (+75 MW) of interruptible power.
- Proposed rule would require a registration to provide information to the commission annually about its virtual currency mining facility's location, owners, form of business, and demand for electricity.
- Comments were due October 14, 2024

# Texas PUC/ERCOT Update – Large Flexible Load Task Force

- Set up to discuss issues related to large loads, including interconnection
- Defined as stand-alone loads greater than 75 MW or co-located loads greater than 20 MW
- Monthly meetings (cancelled for remainder of year)
- Discussion of large load registration – largely opposed by stakeholders
- Criticized due to lack of transparency

# Current Large Load Interconnection Queue

Actual and Projected Large Load Growth 2022-2028



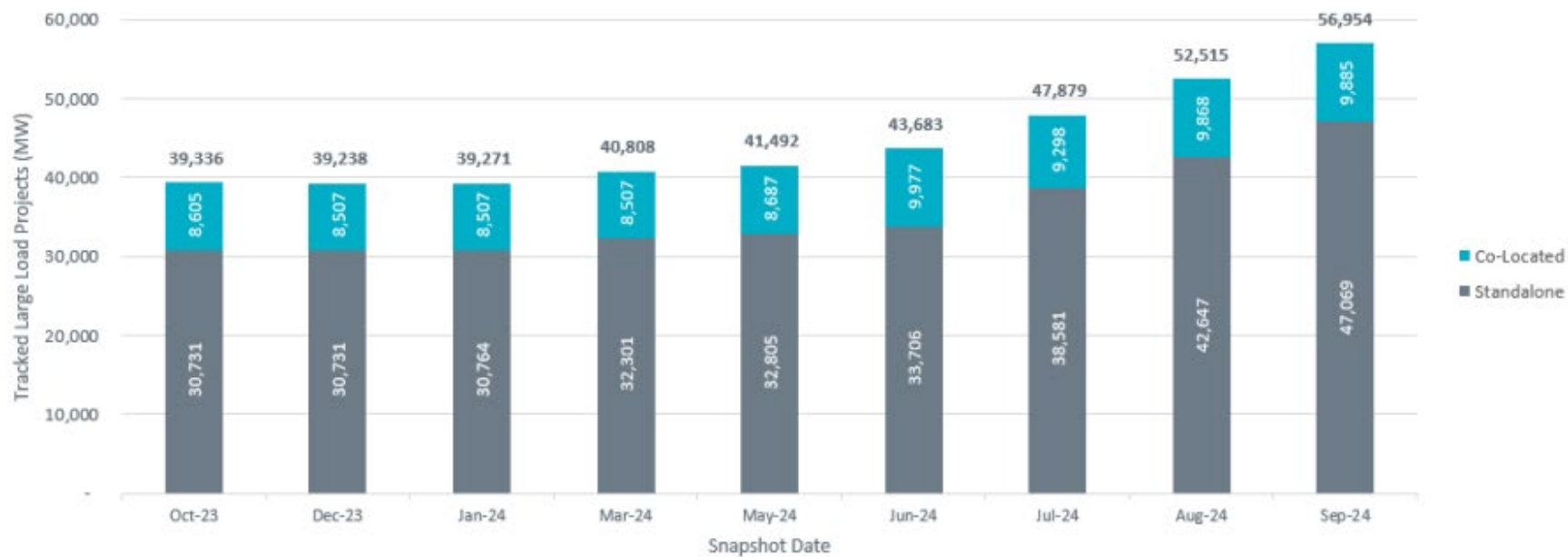
Project Status	2022	2023	2024	2025	2026	2027	2028
No Studies Submitted	-	-	2,040	2,040	4,640	5,540	12,582
Under ERCOT Review	-	-	6,077	12,276	18,087	24,917	29,782
Planning Studies Approved	-	-	2,981	6,715	7,639	7,639	8,598
Approved to Energize	2,523	4,479	5,496	5,496	5,496	5,496	5,496
<b>Total (MW)</b>	<b>2,523</b>	<b>4,479</b>	<b>16,594</b>	<b>26,527</b>	<b>35,862</b>	<b>43,592</b>	<b>56,458</b>

**NOTE:** In July 2024 ERCOT expanded the queue to include projects with projected in-service dates of 2028. Previously, projects without an in-service date were assigned a default ISD of 12/31/2027. Those projects were reassigned a default ISD of 12/31/2028.

- **Approved to Energize** – Projects that have received Approval to Energize from ERCOT Operations. NOTE: not all MWs in this category have been observed to be operational (see next slide)
- **Planning Studies Approved** – Projects that have received ERCOT approval of required interconnection studies. Any MWs that were not approved are reclassified as No Studies Submitted.
- **Under ERCOT Review** – Projects that have studies under review by ERCOT
- **No Studies Submitted** – Projects that are tracked by ERCOT but that have not yet provided sufficient information for ERCOT to begin review. Additionally, MWs that were not approved by ERCOT after review of planning studies are included in this category until a path to interconnect these MWs is identified, or the customer cancels the interconnection request.



# Large Load Queue – Past 12 Months



## Changes since August Queue Update

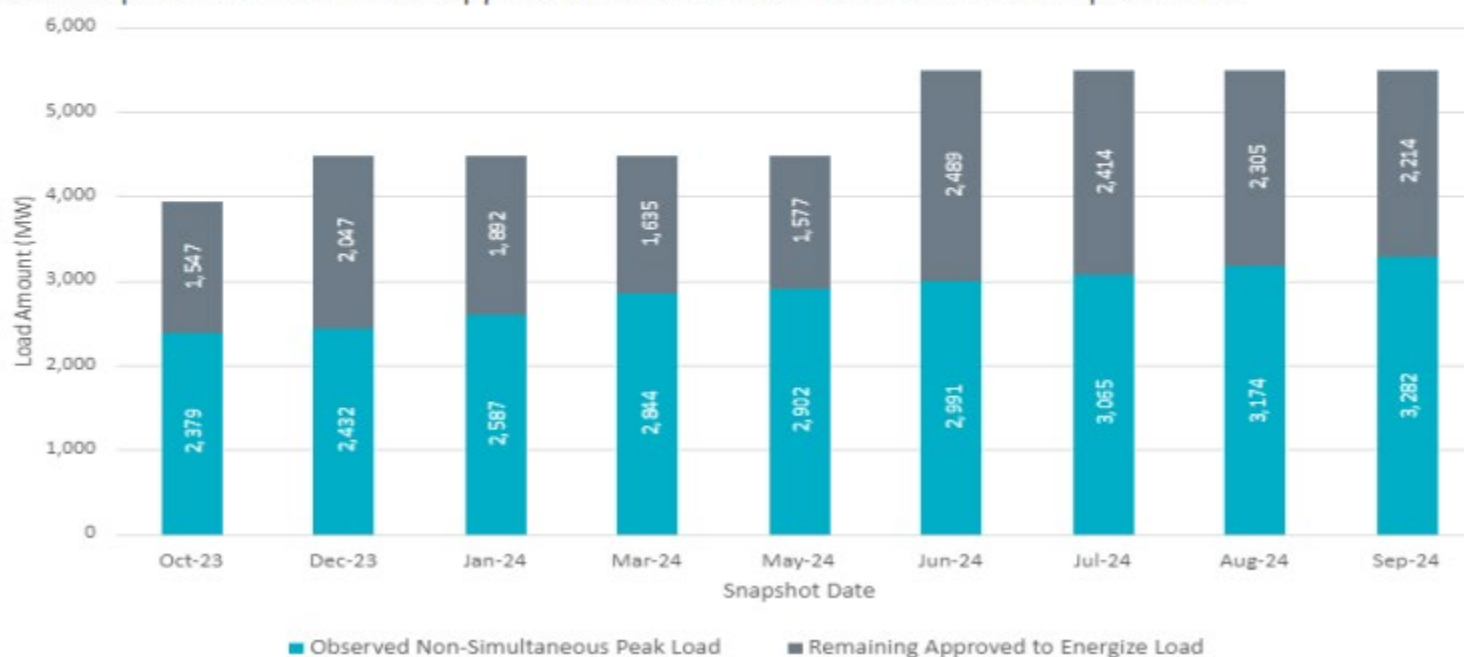
- Combination of new standalone and co-located projects, as well as several project cancelations, increased total queue capacity by 4,439 MW.



# Loads Approved to Energize

Of the 5,496 MW that have received Approval to Energize, ERCOT has observed a **non-simultaneous** peak consumption of 3,282 MW.

- This is calculated as the sum of the maximum value for each individual load regardless of when that maximum occurred
- This value represents how much approved load ERCOT believes is now operational



- ERCOT has observed a simultaneous peak consumption of 2,815 MW
  - This is the maximum value of the sum of all the individual loads
  - This value is the maximum amount of large load that ERCOT has had to serve at a single point in time

# Texas PUC/ERCOT Update – Data Center Demand

- Chairman Thomas Gleeson stated allowing construction near existing plants threatens resource adequacy on the grid if the data centers buy all the plants' power.
  - “We can’t afford to lose any of our resources off the system at this point, especially given those load-growth projections.”
  - Telling data center developers they will need to supply some of their own power if they want to connect to the Texas grid within 12 to 15 months
- If data centers are required to build, need to consider the different areas within ERCOT and clarify regulatory requirements.

# Texas PUC/ERCOT Update – Independent Market Monitor 2023 State of the Market Report

- Reevaluate net metering at certain sites – Following the adoption of NPRR 945 (2021), *Net Metering Requirements*, there was a proliferation of net metering arrangements.
  - The IMM suggested that the market could form more efficient prices and costs could be allocated more accurately if flexible loads, such as data centers and crypto-currency mines, participated in the market as controllable load resources (CLR) instead of merely by reducing consumption to avoid transmission cost allocation and other load-based charges. The IMM suggested this would help provide better congestion management.
  - The IMM recommended that net metering be reconsidered for *any* loads behind the meter of *unaffiliated entities*.
- Modify transmission cost of service (TCOS) away from 4CP method
  - IMM continues to recommend the Commission change the allocation of transmission costs to better reflect the true drivers for new transmission build and adjust a process that currently does not allocate cost equitably to all loads.
  - The Commission issued its most recent decision on transmission cost allocation methodology in 1999. At the time, the Commission relied on two key concepts provided in PURA § 35.004(d), which requires the price of wholesale transmission to be based on 100% of the postage stamp rate and divided by total demand. PURA states that:
    - The commission shall price wholesale transmission services within ERCOT based on **the postage stamp method** of pricing under which a transmission-owning utility's rate is based on the ERCOT utilities' combined annual cost of transmission, other than costs described by Section (d-2 and (d-3, **divided by the total demand placed on the combined transmission systems** of all such transmission-owning utilities within a power region.
  - Staff suggests that the Commission can revise the rule within the constraints of PURA to maintain an ERCOT-wide rate and base it on demand but still modify the allocation method away from 4 CP.
- Discuss in fall 2025

# 2023 Electricity Bills

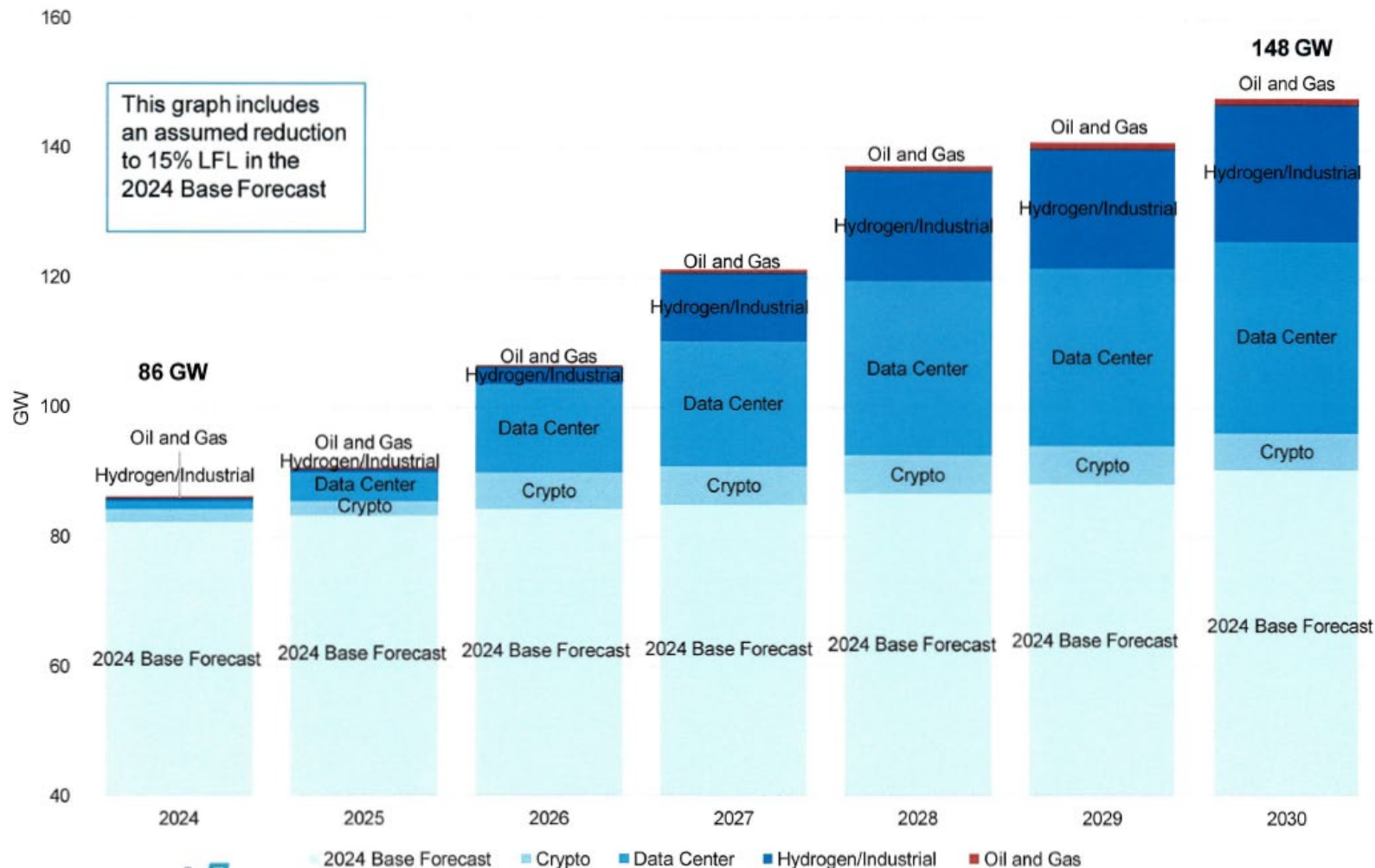
Topic	Bills	Description	Result
Large Flexible Loads	<a href="#">SB 1929</a>	Allows the Public Utility Commission (PUC) to require registration of large flexible loads	SB 1929 Passed <a href="#">Analysis</a> Effective 09/01/2023
Transmission Planning	<a href="#">HB 5066</a>	Adds projected loads to criteria to be considered in transmission planning process and requires a reliability plan for the Permian Basin	HB 5066 Passed <a href="#">Analysis</a> Sent to the Governor
Grid Security	<a href="#">SB 2013</a>	Updates the Lonestar Infrastructure Protection Act.	SB 2013 Passed <a href="#">Analysis</a> Effective immediately
Distribution Level Information	<a href="#">HB 3390</a>	Provides ERCOT insight into generation and loads connected at the distribution level	HB 3390 Passed <a href="#">Analysis</a> Effective immediately
Aggregated Distributed Energy Resources	<a href="#">SB 1699</a>	Requires PUC to establish registration requirements for Aggregate Distributed Energy Resource (ADERS)	SB 1699 Passed <a href="#">Analysis</a> Effective immediately
Lubbock Power & Light	<a href="#">SB 1170 &amp; HB 2664</a>	Related to Lubbock Power & Light's entry into the ERCOT market	SB 1170 and HB 2664 Passed <a href="#">SB 1170 Analysis</a> <a href="#">HB 2664 Analysis</a> Effective immediately

\* HB 3707 and SB 624 – onerous permitting requirements for wind and solar facilities (did not pass)

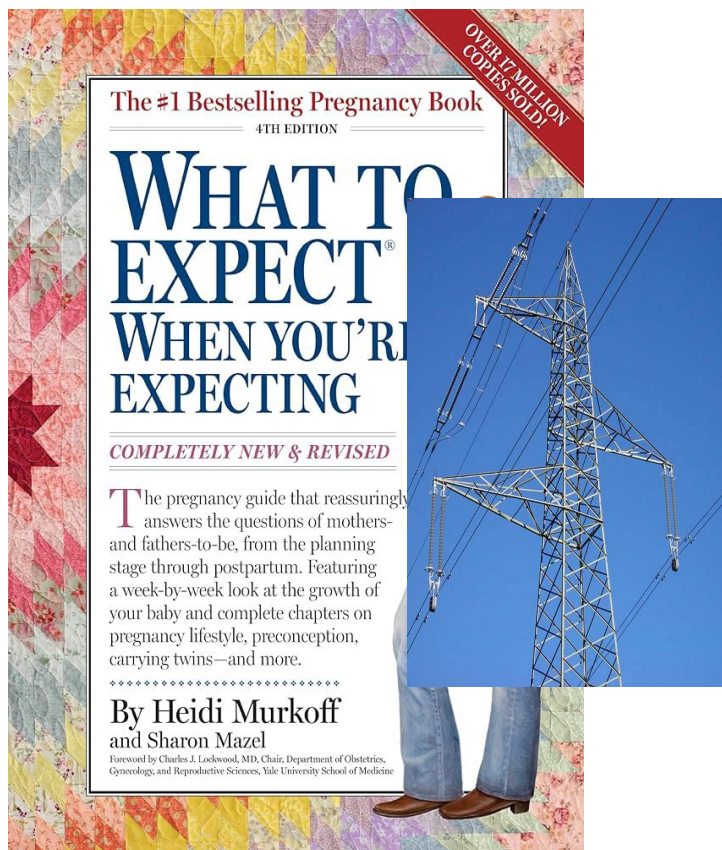
# Texas Energy Fund

- \$5 billion initially, expect \$5 billion more
- 72 applications, 17 moved on to due diligence
- Appx. 10 GW of new capacity
- Projected completion before end of 2028

# Contracts and Officer Letters Breakdown



# What to Expect When You're Expecting (62 GW of new load...)



- More transparency
- Incentives to BYOG
- Demand response
- Changes to cost allocation for distribution build

# Engagement Team



**Austin McCarty**

Government Affairs Advisor

Austin

+1.512.482.6847

[Austin.McCarty@klgates.com](mailto:Austin.McCarty@klgates.com)



**Drew Tedford**

Partner

Austin

+1.512.482.6819

[Drew.Tedford@klgates.com](mailto:Drew.Tedford@klgates.com)



**Jack Erskine**

Partner

Austin

+1.512.482.6875

[Jack.Erskine@klgates.com](mailto:Jack.Erskine@klgates.com)



**John Northington**

Government Affairs Advisor

Houston

+1.713.815.7318

[John.Northington@klgates.com](mailto:John.Northington@klgates.com)



**Maria Faconti**

Partner

Austin

+1.512.482.6823

[Maria.Faconti@klgates.com](mailto:Maria.Faconti@klgates.com)



K&L GATES