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Bills' Defeat Means Brighter Outlook for Texas Renewables

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On June 2, the Texas Legislature concluded its 89th regular session with important developments affecting the energy sector, most notably in the arena of renewables, like solar and wind power. The most significant takeaways from this session came from several bills pertaining to the electric energy industry that ultimately failed to pass.

These failed bills were aimed at increasing the supply of dispatchable energy sources, like natural gas, in the state, while simultaneously imposing new hurdles on the development and operation of renewable energy projects.

All three of the below-highlighted bills passed the Texas Senate, but ultimately died in the Texas House of Representatives' State Affairs committee without a hearing. The final outcome for these bills reflects that the policies behind them had some traction, but have ultimately not carried the day — at least for now.

S.B. 715

S.B. 715 proposed retroactive reliability mandates for electric generation sources, setting firming requirements that would have particularly affected already-existing wind and solar projects.

Certain energy research experts speculated that these mandates would have undermined the reliability of the Electric Reliability Council of Texas system and increased energy costs.[1]

S.B. 819

S.B. 819 proposed a requirement that renewable energy projects obtain permits from the Public Utility Commission of Texas that would not be required of coal, gas or nuclear energy projects.

The national trade association representing the U.S. solar energy industry raised concerns that the bill could increase energy costs and blackout risks.[2]

S.B. 388

Perhaps the proposal that would have created the greatest upheaval in Texas' competitive energy market, S.B. 388 proposed conditions for the ERCOT grid that would have required 50% of all new generation to come from dispatchable sources.

Such sources would obviously include natural gas, coal and nuclear, but electric energy generated by solar and wind resources can only be dispatchable if it is stored in battery energy storage systems. However, the 50% requirement in this bill expressly excluded battery storage capacity, prioritizing conventional power generation methods.

Therefore, electric utilities and power generation companies seeking to deploy wind or solar resources after Jan. 1, 2026, even those paired with battery energy storage systems, would have been required to purchase dispatchable credits to meet the 50% requirement set by the statute.

Successful Bills

Despite these three dead bills, there were a few standout survivors. By the time the latter half of the legislative session rolled around, S.B. 6 was the top-priority electric bill in the House, which potentially stole the spotlight from other proposed energy bills.

S.B. 6 targets large energy users, specifically those with a demand over 75 megawatts, requiring their financial support in connecting to the grid, and allowing for deeper regulation of their behind-the-meter energy usage.

In addition, H.B. 3824's passage created fire safety standards and testing requirements for battery energy storage system projects. And an additional $5 billion in funding was approved for the Texas Energy Fund for the 2025 and 2026 fiscal years.

Importantly, H.B. 3809 was signed by Gov. Greg Abbott on May 29, and will go into effect Sept. 1, imposing responsibilities on project owners for decommissioning stand-alone battery energy storage system project facilities without a shared grid connection point.

These responsibilities, and the associated financial burdens, include removing equipment, excavating at least three feet below the surface and gathering recyclable materials upon project conclusion.

Looking Forward

Given the overall competitive and lightly regulated nature of business in Texas, and the expected growth of data centers and other large load customers in the state, it will need all of the energy sources that it can develop.[3]

The death of the three Senate bills discussed above leaves open the ability for a wider variety of energy players to stay in the game — which aligns with Abbott's all-of-the-above approach to power generation to supply the state's growing energy needs.

For Texans, more sources of energy mean a greater likelihood of contingency coverage on the ERCOT system, and hopefully avoiding significant energy price spikes and negative reliability impacts.

However, given that there was a significant level of support for the ideas and concepts behind the three failed bills, Texans can expect to see similar efforts arise in the next session.

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[1] Aurora Energy Research: https://auroraer.com/company/press-room/proposed-texas-legislation.

[2] Solar Energy Industries Association: https://seia.org/news/solar-industry-statement-on-texas-senate-passing-bill-that-will-harm-needed-energy-generation/.

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