



## TEXAS LEGISLATURE PASSES IMPORTANT REGULATORY CHANGES FOR TEXAS DATA CENTERS AND OTHER LARGE LOAD CUSTOMERS

June 24, 2025

**On May 29, Senate Bill 6 passed in the Texas legislature with bipartisan support. Governor Abbott signed SB 6 into law on June 20, 2025, and it is effective immediately.**

SB 6 enacts important regulatory changes for data centers that meet the demand threshold of 75 megawatts (or less, if mandated by the Public Utility Commission of Texas), making it applicable to large load customers with energy demands far exceeding those of the average Texas consumer. For reference, it is estimated a 100 MW data center in Fredericksburg, Va. uses 4.5 times the energy consumed by all the residences in that city. SB 6 also provides guidance for other energy industry players servicing large load customers, including utilities and power generation companies.

Booming demand for artificial intelligence has created a corresponding rise in data center development to meet that demand. Texas is an ideal environment for data centers given its relatively low tax burden, large metropolitan areas with established fiber optic connections and ERCOT, which allows different energy providers to connect to the grid and participate in the market.

But SB 6 recognizes the energy demands of data centers and large load customers must be balanced with the energy needs of Texas residents, particularly during peak usage periods. Many Texans recall the power blackouts during Winter Storm Uri in February 2021 when about 70% lost power at some point during the storm. With more than 26 million Texas customers depending on ERCOT for electricity services, SB 6's goal is threefold: support business development in Texas, minimize the potential for stranded infrastructure costs and maintain system reliability.

In striking this balance, SB 6 adopts the following regulations for data centers and other large load customers:

- Cost Contribution

- Disclosure Requirements and Flat Study Fees
- Approval on Net Metering Arrangements
- Protocol and Technology to “Kill” Energy Usage During Power Outages

### **Cost Contribution by Large Load Customers**

#### *Amendments to Section 35.004, Texas Utilities Code*

This amendment requires large load customers to contribute to the costs for utilities to interconnect large load customers to the grid. This cost contribution also applies to an electric cooperative or municipally owned utility that has not adopted customer choice. The electric cooperative or municipally owned utility must determine the reasonable costs for interconnecting the large load customer.

### **Disclosure Requirements and Flat Study Fees for Large Load Customers**

#### *Amendments to Section 37.0561, Texas Utilities Code*

This amendment requires large load customers to disclose whether they are pursuing a “substantially similar request” for electric service in the state, and whether approval of that substantially similar request could impact the customer's decision to move forward with the pending interconnection request.

The large load customer must also disclose on-site backup generating facilities. These on-site backup generating facilities should be able to serve at least 50% of on-site demand but are not capable of exporting energy to the transmission grid. In the event of an energy emergency alert, large load customers with on-site backup generating facilities may be directed to deploy their backup resources or curtail their load.

There are also financial disclosure requirements for large load customers, including security on a dollar-per-megawatt basis, contributions to construction costs, payments for significant equipment or services or other forms of financial commitment. This security may be refunded as the large load customer meets load ramp milestones and sustains operations as expected or if the large load customer withdraws the request for capacity. Financial commitments, like those outlined, ensure energy projects have the resources to develop and do not become stranded infrastructure.

In complying with the disclosure requirements of this amendment, customer-specific or competitively sensitive information is confidential and not subject to disclosure under Chapter 552, Government Code. The large load customer may withhold or anonymize any financially or commercially sensitive details, and the utility receiving the information is prohibited from sharing or disclosing this information without confidentiality protections in place.

Large load customers must also pay a flat study fee of at least \$100,000 to the utility or municipally owned utility for initial transmission screening. A request for more capacity will require an additional study fee. Any

unused portion of the fee will be applied as a credit for procurement or other financial obligations for that same geographic site.

Large load customers must also demonstrate site control through ownership interest, lease or another legal interest.

The amendment also acknowledges that a municipally owned utility or an electric cooperative may impose its own requirements in addition to the standards adopted.

### **Approval on Net Metering Arrangements**

*Amendments to add Section 39.169, Texas Utilities Code*

A power generation company, municipally owned utility or electric cooperative must submit notice before implementing a net metering arrangement for large load customers. Net metering arrangements determine the credit these parties receive if they generate energy behind the meter and feed some amount back to the grid.

This requirement does not apply to power generation facilities and large load customers that were registered together or are owned by the same parent company as of Jan. 1, 2025.

ERCOT must complete the net metering study no later than 120 days after receiving all required information regarding the arrangement.

ERCOT will then provide its study results to the PUC, which has 60 days from receipt to approve, deny or impose reasonable conditions on the proposed net metering arrangement. If there is no active ruling by the PUC after the 60-day period, the proposed net metering arrangement is deemed approved.

An electric cooperative, transmission and distribution utility, or municipally owned utility may object to the net metering arrangement for reasonable cause, though reasonable cause objections expire once a final decision by the PUC is issued.

The PUC continues to exercise review of the approved net metering arrangement and may review it at least every five years.

The commission will post its decisions on proposed net metering arrangements on its website but will not share competitive or sensitive information.

### **“Killing” Energy Demand During Firm Load Shed Event (Power Outage)**

*Amendments to add Section 39.170, Texas Utilities Code*

ERCOT will ensure each electric cooperative, transmission and distribution utility, and municipally owned utility develops a protocol to install necessary equipment or technology before connection to “kill” energy usage in the event of a firm load shed (power outage). These parties are also encouraged to confer with large load customers to shed load in a coordinated manner. This amendment applies to large load



customers connecting to the grid after December 31 and does not apply to critical load industrial customers or critical natural gas facilities.

ERCOT is required to provide 24-hour notice to large load customers before requiring a load shed event and requires the load to remain curtailed until the emergency alert event is over or until it is safe to recall it.

ERCOT will calculate price adjustments based on demand reductions imposed on large load customers. The Bell Nunnally Data Center Group offers industry knowledge, thought leadership and deep experience in real estate, corporate and litigation practice areas for the data center industry. Click the link [here](#) to learn more.

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