How New Law Transforms Large-Load Power Projects In Texas

By **Keturah Brown, Grace Dickson Gerbas and Kenneth Irvin** (November 20, 2025)

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The Public Utility Commission of Texas is undertaking rulemakings to implement S.B. 6, which materially revises the regulatory framework for large electrical loads and related behind-the-meter projects in response to rapid growth in interconnection demand across Texas.

In recent years, large-load customers, such as data centers, have flocked to Texas. In a filing with the PUCT on Oct. 20, the Electric Reliability Council of Texas revealed that 205 gigawatts of large load are currently in the ERCOT interconnection queue, of which 70% is from data centers.

More astonishing is that only last year, the queue held 56 GW of load — an increase of over 227% in the amount of load-seeking interconnection in just one year.

S.B. 6, enacted on June 20, introduces new interconnection and emergency curtailment requirements for large-load customers — defined as customers with a demand threshold of 75 MW — to mitigate risks of stranded infrastructure and grid reliability issues, while also implementing new behind-the-meter requirements and kicking off an evaluation of ERCOT's transmission planning methodology.

Compliance with S.B. 6 means higher up-front costs for developers and the implementation of flexible operating models for large-load customers. At the same time, S.B. 6 represents proactive action to address issues that other states are also facing with large-load growth.

The law will likely provide certainty that will encourage greater investment in the generation needed to meet growth. Stakeholders in Texas, as well as regulators in others states, will watch carefully as proceedings at the PUCT move forward to resolve the details of implementation.

The Core Features of S.B. 6

Notably, S.B. 6 mandates the following policies that will affect large-load customers — defined as those customers with a demand threshold of 75 MW:

- A study and approval process for new net-metering arrangements with existing stand-alone generation;
- The establishment of demand management programs;
- New interconnection and cost-sharing standards;
- Large-load forecasting criteria; and

- Evaluation of transmission cost-recovery methods.

Study and Approval of Net-Metering Arrangements With Existing Stand-Alone Generation

S.B. 6 requires that any net metering arrangement between a generation resource and a large-load customer entered into as of Sept. 1 of this year must be approved by the PUCT prior to implementation.

The requirement does not apply to a generation source: (1) that included the colocated customer at the time of energization; or (2) with a majority interest owned directly or indirectly, as of Jan. 1 of this year, by a parent company of the large-load customer that participates in the net metering arrangement.

Under the new law, ERCOT will have 120 days to submit a study on system impacts of the net metering arrangement, along with its recommendations, to the PUCT. In turn, the PUCT will have 60 days to approve, deny or impose reasonable conditions on the net metering arrangement.

The conditions must ensure that a resource that was dispatchable by ERCOT prior to the net metering arrangement will make available the same amount of capacity after the implementation of the arrangement in advance of anticipated emergencies.

The conditions may also require the reduction of load, making the resource available to ERCOT prior to certain events, or requiring customers be held harmless for stranded or underutilized transmission assets resulting from behind-the-meter operation.

Establishment of Demand Management Programs

S.B. 6 requires the PUCT to develop mandatory and voluntary demand management programs. Under the mandatory program, transmission and distribution utilities, electric cooperatives and municipally owned utilities will develop curtailment protocols for firm load shed events.

These protocols will apply to new large-load customers that interconnect on or after Dec. 31, with exceptions for critical load industrial customers and critical natural gas facilities.

Under the voluntary demand management program, ERCOT must establish a reliability service that allows the grid operator to competitively procure demand reductions from large-load customers with demand of at least 75 MW during anticipated emergency events. Customers who participate will receive 24 hours' notice prior to any curtailment request.

Interconnection and Cost-Sharing Standards

The PUCT is required to promulgate rules on standards for new or expanded interconnections by large-load customers that aim to balance business development while also protecting ratepayers from stranded costs and maintaining grid reliability.

These standards will apply to those interconnection agreements in effect on or after June 20 of this year, and require large-load customers to:

- Disclose other substantially similar interconnection requests the customers have made in Texas;

- Disclose whether customers will have on-site backup generation capable of serving at least 50% of on-site demand, in which case ERCOT may, after deployment of all available market services, issue reasonable notice requiring deployment of such generation or curtailment of load;

- Pay a study fee of at least $100,000 for initial transmission screening studies;

- Demonstrate site control through fee ownership, lease or another legal interest acceptable to the PUCT; and

- Demonstrate financial commitment for the development of transmission infrastructure that may include furnishing security on a dollar-per-megawatt basis.

The PUCT must also promulgate rules for large-load customers to contribute to recovery of the cost of its interconnection.

Large-Load Forecasting Criteria

S.B. 6 directs the PUCT to establish criteria by which ERCOT includes forecasted large load of any peak demand in its transmission planning and resource adequacy models and reports.

Evaluation of Transmission Cost Recovery

The PUCT must evaluate the existing "four coincident peak" methodology used to calculate wholesale transmission rates, and alternative methods to determine which most appropriately assign transmission costs across all loads.

The Implications of S.B. 6

Under S.B. 6, developers should expect to face higher interconnection costs in complying with more stringent site control and financial commitment requirements. In addition, they should expect to see higher up-front costs, given the need to install equipment and technology to allow load curtailment and secure backup generation.

S.B. 6 leads to the likely scenario where large-load customers can connect to the grid if they agree to flexibility into their operating models by responding to certain grid conditions.

This will likely be an uncomfortable change for data center operators, who rely on a 24/7 power supply, and in the face of S.B. 6 will need to increasingly rely on power solutions outside of traditional grid connectivity — specifically, by utilizing different forms of on-site generation and energy storage.

Despite the shift in risk to developers and investors, stakeholders have generally lauded S.B. 6 for its attempts to address speculative large-load requests and transmission cost exposure, and to provide certainty to the load forecasting needed to encourage greater investment in generation.

The exact implications of S.B. 6 will depend on a series of rulemaking proceedings at the PUCT expected to stretch into late 2026. Proceedings have been opened to implement:

- Process and criteria for the PUCT's evaluation of net metering arrangements with existing generation;
- Large-load forecasting criteria for ERCOT;
- Large-load interconnection standards and recovery of interconnection costs;
- A voluntary demand management program; and
- Evaluation of transmission-cost recovery.

Stakeholders have been participating actively in the existing proceedings to iron out the details of S.B. 6, and have sought enhanced opportunities to participate through additional workshops and rulemaking proceedings.

Concerns raised in the proceedings include clarification as to what defines a "new large-load customer" — and whether this applies to a customer with a currently pending request. Arguments have also been raised that load curtailment in emergencies shouldn't only apply to those resources with net metering arrangements, and should be agnostic across all types of large loads.

As Texas implements S.B. 6, it has become the national proving ground for how regulators confront the explosive demand driven by AI and other power-intensive industries. Even with more costs shifting to developers and investors, Texas continues to attract data centers and advanced manufacturing projects.

The fundamentals still stand: a pro-business environment, fast-moving permitting, abundant renewable resources and extensive natural gas infrastructure. As stakeholders navigate the rulemakings and compliance requirements of S.B. 6, regulators in other high-growth states are sure to watch closely.

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