



Public Comment Submission

From: Travis Fisher, Director of Energy and Environmental Policy Studies

Cato Institute

To: Members of the Texas House State Affairs Committee

Re: Data Centers Interim Charge Public Hearing

April 9, 2026

Chairman and Members of the Committee,

Thank you for the opportunity to comment on this important issue. The Cato Institute is a nonpartisan public policy research organization dedicated to the principles of individual liberty, limited government, free markets, and peace. At Cato, my research focuses on the role of free markets in improving the availability and affordability of energy and natural resources.

Texas leads the nation in data center growth, with hundreds of facilities operating, under construction, or planned. This means significant economic benefits, including large capital investments, local tax base expansion, and high-paying jobs in construction, operations, and across supply chains supporting manufacturing, energy infrastructure, and telecommunications.

One issue raised by this growth, however, is ensuring that data centers have access to abundant electricity. Consumer-Regulated Electricity (CRE) is one framework that can help address this challenge while keeping the broader grid reliable and affordable. CRE is a novel approach approved by the American Legislative Exchange Council earlier this year.¹ Crucially, CRE would streamline the rapid construction of new data centers without impacting reliability or cost for Texans.

The State Affairs Committee was tasked with examining these issues. The March 2026 charge with respect to data centers was, in part, to “[r]eview the existing regulatory framework governing data center development and recommend proposals to streamline regulations while enabling communities to plan and manage growth responsibly.”

¹ Lora Current, *New Commonsense Solutions to Promote Energy Affordability and Reliability in Your State*, American Legislative Exchange Council, Feb. 3, 2026, <https://alec.org/article/new-commonsense-solutions-to-promote-energy-affordability-and-reliability-in-your-state/>

Enacting CRE would streamline regulations while managing growth responsibly—without raising costs or reducing reliability for residential ratepayers in Texas. CRE utilities would generate, transmit, and sell electricity directly to customers under voluntary contracts without interconnecting to the existing grid or seeking permission from regulators. Imagine a new data center being able to choose between waiting multiple years for approval to be connected to the grid or receiving service quickly from an off-grid utility.

The proliferation of off-grid networks would improve the reliability and resilience of the industries served by these private networks in the face of unforeseen events, such as extreme weather systems that can force the larger grid into conservative operations and load shedding. During extreme weather events such as winter storms or prolonged heat waves that strain generation and transmission capacity, independent systems could continue operating despite disruptions to the rest of the grid. In this way, CRE would strengthen the stability and responsiveness of Texas’s overall electric supply.

The Cato briefing paper titled, “The Case for Consumer-Regulated Electricity: Private Electricity Grids Offer a Parallel Path to Energy Abundance,” by Glen Lyons and me, examines this framework in greater detail and highlights how it can address the concerns associated with rapid growth in electricity demand.² CRE legislation has already been passed in Ohio, New Hampshire, and Utah, and has been introduced in the U.S. Senate.

The reality of rapidly growing energy demand requires new ways of thinking about the energy sector. Data centers often wait several years before they can connect to the grid, and the generators that would serve them also face long interconnection queues. The system that served the 20th century well is unable to meet the rapid growth of the 21st century. By allowing large electricity customers to do without grid connections and regulatory control, Texas lawmakers can extend to the electricity sector the free-market dynamism that helped Texas become America’s economic powerhouse.

Thank you for your consideration.

Sincerely,
Travis Fisher, Director of Energy and Environmental Policy Studies
Cato Institute

² Travis Fisher and Glen Lyons, *The Case for Consumer-Regulated Electricity: Private Electricity Grids Offer a Parallel Path to Energy Abundance*, Cato Institute Briefing Paper No. 196, Feb. 3, 2026, <https://www.cato.org/briefing-paper/case-consumer-regulated-electricity-private-electricity-grids-offer-parallel-path>