May 6, 2026

PUBLIC COMMENT OF TRAVIS FISHER, DIRECTOR OF ENERGY AND ENVIRONMENTAL POLICY STUDIES, CATO INSTITUTE SUBMITTED TO THE TEXAS HOUSE COMMITTEE ON STATE AFFAIRS REGARDING MICROGRIDS AND DISTRIBUTED ENERGY RESOURCES

Dear Chairman King, Vice-Chair Hernandez, and distinguished 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 growth could bring significant economic benefits, including large capital investments, tax base expansion, and new jobs across supply chains supporting manufacturing, energy infrastructure, and telecommunications.

Growth also creates the impetus for expanding microgrids and distributed energy resources as parallel pathways to meet unprecedented new demand. Consumer-Regulated Electricity (CRE) is one framework that can help address this challenge while keeping the broader grid reliable and affordable. CRE is a permissionless approach to growth that could streamline the rapid construction of new data centers without impacting the cost or quality of electric utility service 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."

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. It offers "speed to power" for large, new customers and certainty for existing customers.

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.[1] Legislation enabling private grids has already been passed in Ohio, New Hampshire, and Utah. This momentum is reflected at the federal level—bills have been introduced in the Senate and the House that would relieve CRE utilities of onerous federal regulations that were written for the interconnected grid.

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 fully satisfy the demands of the 21st century. By allowing large electricity customers to innovate outside of today's heavily regulated power grid, 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

[1] 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