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## Texas Generation Group Suggests PUC Implement Nonbypassable Charge To Fund Generation Weatherization

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In comments to the Texas PUC in a proceeding on weatherization standards, Texas Competitive Power Advocates (TCPA) recommended that the PUC adopt a cost recovery mechanism, perhaps through a non-bypassable charge, for facilities subject to new weatherization mandates for whom cost-of-service ratemaking is unavailable.

TCPA said in its comments that, in adopting SB 3 and the weatherization mandates, "The Legislature did not establish a new funding mechanism specific to this mandate, but the Public Utilities Regulatory Act (PURA) provides several funding mechanisms to the Commission that are already available to establish a cost recovery mechanism consistent with the intent expressed by Governor Abbott. PURA 36.001 grants the commission the authority to establish and regulate rates and Subchapter I grants the authority to securitize system restoration costs, broadly defining what is covered to include electric utility costs associated with the winter storm, including any winterization mandates."

"TCPA recommends the Commission adopt rules to ensure cost recovery for all entities subject to mandates to winterize existing assets," TCPA said in its comments

"Electric generation owners in the ERCOT region are companies that do not have ensured cost recovery of these expenditures since they do not have a captive customer base and must recover all costs through the wholesale market prices. As such, failure to address the funding portion of the Governor's emergency item will leave electric generation companies in the competitive market with no assured means of recovering expenditures required by these new rules. Facilities that are marginal may become uneconomic as a result, and companies without cost recovery will be forced to decide whether to invest in capital improvements needed to comply with the new mandates or to retire or seasonally mothball those marginal units ... The broad authority granted to the Commission provides the latitude to ensure that any weatherization measures adopted do not exacerbate reliability concerns for Texans," TCPA said in its comments

"TCPA recommends the Commission rule regarding weatherization establish a cost recovery mechanism, perhaps through a non-bypassable charge specific to expenditures not captured in cost-of-service ratemaking for any entity that has existing facilities subject to new mandates," TCPA said in its comments

"TCPA believes funding mechanisms should be limited to existing competitive resources since new resources to the market will have knowledge of weatherization requirements and should include those costs in any financial proforma to determine the financial viability of investing in new generation facilities," TCPA said in its comments

In separately filed sets of comments, Calpine Corporation and Exelon Generation Company, LLC each separately urged the PUC to establish a cost recovery mechanism for generators' weatherization costs, though neither proposed a specific mechanism.

NRG Energy, Inc. said in its comments that the PUC should view development of weatherization requirements as interrelated to SB 3's provision that the PUC shall establish "resource capability qualifications" to determine dispatchable generators' eligibility to participate in those markets for reserves products.

"The Commission should view that workstream as interrelated with this proceeding, because the market reform should constitute a funding stream for investments in resiliency to help withstand extreme weather conditions and complement the weatherization requirements adopted in this proceeding," NRG said in its comments

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