



In an effort to keep you abreast of TCPA participation in regulatory activities at the PUCT and ERCOT as the laws passed during 87th Legislature relating to the Texas ERCOT electric market are implemented, we hope you find this information helpful.

TCPA was extremely active during the regular session, working with legislators and leadership as well as stakeholders on the spectrum of electric bills considered. The Association, as well as individual companies, testified regularly in both the House and Senate and met with legislators to provide generation expertise on impacts and improvements, based on the stated goal of obtaining more investment in dispatchable, reliable generation resources and a reliable grid for Texas' future.

I. **Who We Are:**

- a. Texas Competitive Power Advocates (TCPA) is a trade association representing power generation companies and wholesale power marketers with investments in Texas and the ERCOT wholesale electric market. Here is a [LINK](#) to our website.
- b. TCPA members and their affiliates provide a wide range of important market functions and services in ERCOT, including development, operation, and management of power generation assets, power scheduling and marketing, energy management services and sales of competitive electric service to consumers.
- c. TCPA members provide approximately 80% of the total non-wind electric generating capacity in ERCOT, and more than 60% of the total ERCOT generation fleet. TCPA's companies represent billions of dollars of investment in the state and employ thousands of Texans.
- d. TCPA member companies include: Calpine, EDF Trading North America, Exelon, Luminant, NRG, Shell Energy North America, Talen Energy, Tenaska, TexGen Power, and WattBridge.

II. **TCPA Generation Fleet**

- a. If you are interested in knowing what resources TCPA member companies have, what fuel type and where the resources are located, here is a [LINK](#) to our interactive map. The data can be searched and sorted by company, fuel type and county. We hope you find it useful.

III. **Market Design Efforts**

- a. The PUCT has put together an aggressive timeline for consideration of electric market redesign efforts (Project No. 52373). The first Commissioner Guidance Letter was issued Aug. 3rd, and stakeholder comments were due Aug. 16th. A market redesign workgroup is scheduled for Aug. 26th.
- b. TCPA has a Market Design Work Group that has been meeting to flesh out recommendations on a suite of products and competitive design changes to provide revenues needed to get more investment in reliable dispatchable generation resources.



- c. TCPA's comments provided to the commission for the first round of stakeholder comments can be read [HERE](#). Among our key points:
- i. The Operating Reserve Demand Curve (ORDC) is the primary tool on which generators rely to set pricing. The ORDC, as currently configured, means that the majority of generator revenue is achieved only during times of "scarcity," when electric usage is so high that our grid is near an emergency that could mean outages for customers. This means that most of the year, wholesale electric prices are so low that generators barely break even, or even lose money.
 - ii. Tinkering with the ORDC or adding an isolated reliability product or ancillary service will not generate the stable revenues needed to get the investment in our existing fleet and in new resources that policymakers want. It will take a combination of new products and overall design changes that move away from a scarcity-driven market to accomplish the goal set by the Legislature.
 - iii. Revenues for dispatchable generation resources must meet a level that allows investors to finance existing plant investment as well as new resource investments in ERCOT, so they can cover their operating costs and their fixed costs of investment. There is no one silver bullet to do so.
 - iv. Investors and financing firms are also well-positioned to inform the Commission of what markets & prices must be to justify new investment in ERCOT, as they are the ones that ultimately finance new plants.
 - v. ERCOT should be required to provide a target generation reserve margin projected for future reliability and require that electricity procurements be "firm" prior to the start of each year, to provide regulatory certainty to the market.
 - vi. The ORDC must undergo complete restructuring, to move away from the current model that relies solely on a few minutes or hours a year at scarcity pricing to fund generation investment and provide a more consistent pricing outcome for both consumers and generators.
 - vii. Numerous new ancillary products should be brought to market to reduce system volatility from intermittent resources like wind and solar.
 - viii. Emergency Response Service (ERS), a reliability service that pays large industrial consumers a set amount to come off the grid when ERCOT needs them to during an emergency, should be refined to prohibit pre-deployment. Not addressing pre-deployment of ERS may undo the impact market design changes are intended to have on additional dispatchable investment.

IV. Weatherization of Electric Generation Facilities

- a. The first PUCT work session was held on August 12th. [HERE](#) is a link to the slides the PUCT & ERCOT reviewed.
- b. TCPA filed comments ([LINK](#) and [LINK](#)) on weatherization in July. Among our key points:



- i. Indefinitely mothballed or winter mothballed resources should not be subject to new winterization standards as these are not generating resources during the winter season. Such mandates may facilitate complete retirement of such resources.
- ii. Black Start resource preparation standard apply only to the equipment used to provide those Black Start services.
- iii. TCPA recommends a compliance timeline that accounts for the ages of resources as opposed to their sizes. TCPA's proposal results in more megawatts being weatherized sooner.
- iv. No guaranteed market-based recovery mechanism currently exists for competitive wholesale generators. However, transmission and distribution utilities (TDUs), electric cooperatives, and municipally owned utilities (MOUs) have guaranteed cost recovery mechanisms.

V. Critical Gas Infrastructure

a. Project No. 52345 is the PUCT project for determining Critical Natural Gas Facilities and Entities.

- i. HB 3648, the legislation requiring the PUCT to designate certain natural gas facilities as critical suppliers during an emergency can be reviewed [HERE](#).
- ii. TCPA Comments on Project No. 52345 can be reviewed [HERE](#).
- iii. As owners and operators of gas-fired generators, TCPA facilities depend on safe and reliable delivery of natural gas to operate and produce electricity. Key points from TCPA's comments include:
 1. Every wellhead in Texas connected to the natural gas pipeline grid is essential during severe weather events, to provide natural gas to heat end users or to supply natural gas to gas electric generation facilities. This includes every electric-powered gas compressor station, to ensure pressure and stable flow of natural gas.
 2. Natural gas facilities critical to providing gas for electric generation resources and to heat Texas homes were paid to come off the grid in February as part of the ERS program. TCPA recommends that the PUCT adopt a default position of excluding natural gas facilities being curtailed during an emergency or scarcity situation except as the result of a robust justification process. TCPA also recommends these critical facilities be prohibited from participating in ERS or any other load management program that would curtail these facilities during an emergency.
 3. The PUCT should adopt requirements for increased gas pipeline transparency for at least the major intrastate systems, which provide critical fuel supplies to large customers such as electric generators and gas distribution companies. Such transparency already exists purposes of



purchasing the commodity, but not for serving electric generation resources. This substantially increases costs for generation resources, and ultimately, Texas electric consumers which is counter to long-standing legislative intent in Utilities Code 39.9048.

b. Nodal Protocol Revision Request (NPRR) 1087 Prohibit Participation of Critical Loads and Generation Resource Support Loads as Load Resources or ERS Resources

- i. TCPA participated in a workshop at ERCOT this week. From TCPA's perspective, the issues with Winter Storm Uri & subsequent independent reports clearly demonstrated that facilities providing natural gas to electric generators and to homes cannot and should not be curtailed in an emergency. This NPRR is an effort to ensure that does not happen again as we prepare for the coming winter season. The mapping and critical designations in SB 3 are unlikely to be finalized and implemented before this winter, and it's important to make sure that electric generators are able to get fuel this winter. This NPRR ensures that is the case in keeping with ERCOT's recent trend of conservative operations.
- ii. TCPA is certain that being designated as a critical load, or any facility needed to facilitate delivery of natural gas to electric generation resources, and being paid to curtail your load are mutually exclusive. Therefore, any natural gas facility that is critical to producing electricity should be ineligible to participate in any ERCOT or utility reliability service that requires coming offline during an emergency. The protocol must be clear that any facility designated as critical load cannot be part of these reliability programs.
- iii. Additionally, TCPA expressed concern regarding ERCOT's expectation that any employee in a natural gas or pipeline company be able to sign designation documents, while ERCOT's expectation for gas generators is that only a CEO may sign the attestation regarding coordination with its pipelines. Protocols should be consistent in the expectations for what level employee may satisfy attestations and should not vary according to industry. Therefore, TCPA suggests either natural gas companies and pipelines be required to obtain CEO sign-off or that requirements for generators be commensurate with that for natural gas companies and pipelines.
- iv. Natural gas providers argued to ERCOT that many the fuel curtailments occurred prior to any power outage beginning, which just validates the need to require natural gas facilities to weatherize, or fuel shortages will occur in the future, despite any weatherization investments by electric generators.



- v. At the end of the day, these are chiefly stop-gap measures to get the grid through winter 2021, since the nuts and bolts of the mapping efforts and the critical infrastructure implementation will take some time to put into place.

VI. Electricity Reliability

a. NPRR 1084 – Improvements to Reporting of Resource Outages and Derates

- i. ERCOT is recommending changes to how outages are being reported and how quickly. Outages may be planned (such as for scheduled maintenance) or forced (due to equipment failure or similar circumstance.) ERCOT is proposing different thresholds that trigger reporting, and that certain additional information be gathered and submitted by generators.
- ii. TCPA shared with ERCOT that in our view, the timeframes for reporting outages in the filed NPRR are not realistic in terms of operational abilities to handle the outage issue properly and accurately report the required information. TCPA has recommended that timeframes be adjusted to be consistent with other existing protocols and to ensure that reporting is accomplished as quickly as practicable but without diverting resources from addressing the problem that has caused the outage.
- iii. Here is a [LINK](#) to TCPA filed comments for NPRR 1084.

VII. Additional TCPA Legislative Activities

- a. TCPA anticipates hosting “Lunch & Learns” at the Capitol in October 2021, March 2022, and June 2022.
- b. TCPA Roadshow – projected to include meetings with legislators in Houston (November 2021), San Antonio and south Texas (February 2022), and Dallas (May 2022)
- c. Plant Tours – TCPA is considering scheduling tours at member company generation facilities. If you or your staff is interested in such a tour, please contact TCPA to let us know.

Please feel free to reach out to TCPA with any questions or comments you may have.

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