



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

I. **Who We Are:**

- a. **Texas Competitive Power Advocates (TCPA)** is a trade association representing eleven 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 provide almost 90% of the total non-wind electric generating capacity in ERCOT, and more than 60% of the total ERCOT generation fleet.
- c. TCPA member companies include: Calpine, Cogentrix, EDF Trading North America, Exelon, Luminant, NRG, Shell Energy North America, Talen Energy, Tenaska, TexGen Power, and WattBridge.
- d. If you are interested in knowing what resources TCPA member companies have, 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.

II. **TCPA Legislative “Lunch & Learn”**

- a. Please join us on Thursday, October 21st 11:30 am – 1:00 pm in the Capitol Legislative Conference Center
- b. Presentation: *What Has Been Done Since Winter Storm Uri and Where Do We Go Now?*
 - i. Please [RSVP HERE](#).

III. **Regular Engagement with ERCOT**

- a. TCPA continues to meet monthly with ERCOT leadership to discuss the reliability actions being taken, the impact on the generation fleet, and impacts to the ERCOT market and future investments.
- b. One topic of discussion was ERCOT’s reliance on Reliability Unit Commitments (RUC), which is when ERCOT calls on specific offline generation assets to come online for reliability purposes. TCPA remains concerned that the excessive use of RUCs is shortening the life of the generation fleet, increasing the need for more frequent maintenance on older units that were not designed to be run this way, and may cause units to reach their EPA emissions limits much sooner than planned.
- c. Additionally, the ERCOT’s “command-and-control” actions continue to drive forward wholesale electric prices downward, causing concerns that market forces are not being utilized to obtain needed generation, creating a perception of risk amongst investors that the ERCOT market’s future is at risk.



- d. Future conversations with ERCOT will touch on alternate market design options that can help instill confidence in the market, increase reliability long-term, and allow market forces to dictate generation commitments.

IV. **Market Design Workshop (Project No. 52373)**

- a. A PUCT market redesign work session was held Aug. 26th, during which commissioners discussed identifying key points to consider during the ERCOT market redesign process, which are anticipated to be complicated, is going to take time to get right, and may require subsequent modifications.
- b. The Commission discussed a variety of potential options, ranging from simple & easy to implement, such as adjusting the Operating Reserve Demand Curve (ORDC), if for example, the PUCT wants to reduce the \$9,000 price cap and align the price curve with the increase in reserve generation that is expected to be online, versus approaches such as making certain ancillary services changes, which are more time-consuming because they require additional system changes.
- c. Other key issues could include:
 - i. Establishing a reliability standard (sometimes referred to as a “Loss of Load Expectation,” or LOLE, which predicts how frequently an electric grid could expect to have to reduce electric demand to avoid outages). For example, for many years, the utility industry has used a “once-in-ten-years” standard for setting reserve targets, etc., meaning regulators should try to ensure there is sufficient electricity generation capacity that end users could expect not to be curtailed more frequently than once every ten years. Currently, consultants hired by ERCOT have estimated that the current market design will trend towards one LOLE every two years (or possibly every year in a “high renewables” scenario).
 - ii. How to provide more revenue to dispatchable generation (like natural gas-fired facilities, nuclear or energy storage systems) and determining how much more dispatchable generation is needed, while not excluding renewable generation. A concept that was discussed at great length was to supplement renewable power with additional, more reliable resources to stabilize the grid, and ideas were shared for different products to bring more dispatchable generation resources to the ERCOT market.
 - iii. Requiring an independent third-party analysis of market design changes is being considered, including ORDC and additional ancillary services, and the potential that market changes will need to be periodically re-evaluated to ensure that the appropriate mix of resources is encouraged and maintained.
- d. The Commission also discussed how best to proceed – Should the PUCT’s role be to provide “best practice” guidance but defer to the ERCOT stakeholder process for the details to be fleshed out? Or would the more cumbersome/collaborative nature of the ERCOT stakeholder process mean that meaningful changes are delayed or stymied?



- e. TCPA has significant concerns about piecemeal, stop-gap changes to one regulatory component (like ORDC) being made without consideration of the impact on the larger market, or without other changes being made, such as improvements to ancillary service products. TCPA continues to express concerns about the one-off reliability actions being taken without addressing market impacts or future reliability impacts. TCPA advocates for a suite of changes to be made as a part of overall reform – our initial comments can be read [HERE](#).
- f. TCPA member companies continue to meet regularly with commissioners, ERCOT, and PUC staff regarding concerns as well as options for addressing the goals set by the Legislature and the Commission.

V. Weatherization (Project No. 51840)

- a. At the August 26th Work Session, the PUCT proposed a new 16 Texas Administrative Code (TAC) §25.55, to implement weather emergency preparedness measures for generators and transmission service providers in the ERCOT power region.
 - i. This work will be done in two phases – Phase One requires generators to implement specific winter weather readiness actions from the 2012 Quanta Technology Report by December 1, 2021. It also establishes new requirements for transmission providers to implement the 2011 Federal Energy Regulatory Commission (FERC) recommendations. Lastly, it requires a notarized attestation from the highest-ranking official that required work and activities are complete.
 - ii. Phase Two will consist of a more comprehensive, year-round set of weather emergency preparedness reliability standards, pursuant to the weather study currently being conducted by ERCOT and the Office of the Texas State Climatologist.
- b. TCPA will provide redlined comments to the PUCT’s Phase 1 proposal, which are due on September 16. Future Legislative Newsletters will cover the key points made in TCPA’s comments as well as a link to the filed comments. TCPA continues to advocate for effective and reasonable weatherization rules that support grid reliability while avoiding unintended compliance traps.

VI. Administrative Penalties (Project No. 52312)

- a. The PUCT has proposed additional administrative penalties for certain reliability standards & weather preparedness violations of up to \$1,000,000 per day for each separate violation, as directed by S.B. 3.
- b. TCPA’s comments, which will be filed September 16, will also be included in the next Legislative Newsletter. Among our key points will be ensuring the opportunity to cure identified violations before referrals for violations and administrative penalties, consistent with the provisions in SB 3.



VII. Welcome our newest TCPA Member Companies

- a. **Cogentrix Energy** is an industry-leading power generation organization delivering expert management and superior performance to their clients. In August of this year, Cogentrix, in partnership with the Carlyle Group, closed on the acquisition of a 100% interest in the Altura Cogen facility (a 600 MW located in Channelview that provides steam and electricity to Lyondell Chemical Company) and a 50% interest in the Cedar Bayou 4 facility, a 550 MW natural gas fired facility located in Baytown.
- b. **TexGen Power** owns over 2,200 MW of natural gas fired generation in Texas. With power plants located near Houston and Dallas-Ft. Worth, the company exclusively serves wholesale power customers in Texas. Headquartered in Houston, TexGen has a small, but versatile team that leverages significant industry experiences and key third-party service contracts to optimize and manage its assets in the ERCOT market.
- c. **WattBridge** is a wholly owned subsidiary of **PROENERGY** Services, LLC that was formed to develop, own, and operate fast-start, natural gas fired, power generation assets. WattBridge currently operates 672 MW in ERCOT in Harris and Galveston Counties, with financing plans in place to expand to 1,440 MW by 2022 in Fort Bend and Brazoria Counties. WattBridge offers a firm commitment to support the transition from high carbon producing power assets to cleaner, greener sustainable energy resources.

VIII. Additional TCPA Legislative Activities

- a. Beyond our October 21 event, TCPA anticipates hosting additional “Lunch & Learns” at the Capitol in March 2022, and June 2022. Details and presentations to be determined. If there are topics you would like to see addressed, please don’t hesitate to contact **Michele Richmond with TCPA.**
- 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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