



Reliability in ERCOT Through Competitive Markets

TCPA member companies 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. TCPA members provide nearly ninety percent (90%) of the non-wind electric generating capacity in ERCOT, representing billions of dollars of investment in the state, and employing thousands of Texans.

TCPA SUPPORTS A RELIABLE ELECTRIC MARKET IN ERCOT ACHIEVED THROUGH COMPETITIVE MARKETS, FREE FROM SUBSIDIES AND REGULATED COST RECOVERY OR GUARANTEED RATES OF RETURN

TCPA ***SUPPORTS*** the following core principles for ERCOT and takes positions on all legislative and regulatory proposals based on adherence to the following:

Reliability goals should be achieved through competitive markets.

- A clear reliability standard should be set for the ERCOT region and let the market respond to that standard by providing resources that meet it.

A competitive market should value reliable dispatchable resources.

- Products should clear at a price that tells the market the attributes of reliable resources that turn on and off when needed are important to ERCOT.

Market prices should provide a stable and consistent revenue stream to reliable resources.

- Reliable resources should be able to make a reasonable return on their investments during normal operating conditions and are not dependent on periodic scarcity events to cover their operating costs.

Investment risks in the market should be placed on energy companies and not on consumers.

- Energy companies are investing in the market based on the ability to recoup costs and provide investors a competitive return on their investment through market prices and not based on a cost recovery mechanism or a guaranteed rate of return.

Prices must reflect competitive outcomes in the market, so prices should be adjusted to offset the impacts of out-of-market actions.

- Energy prices should be sufficient to signal market participants to dispatch their units when market conditions justify it without the need for command-and-control action. In order to ensure reliability remains in the market and not the ERCOT control room, any out-of-market actions must be reflected in the prices.

TCPA ***OPPOSES*** any proposals that would further destabilize or reregulate any portion of ERCOT's competitive market such as the following:

Any segment of regulated generation that provides cost recovery and a guaranteed rate of return.

- Whether one company or more, any proposal that creates rate-regulated generation will result in investors seeking the same guarantee to put their capital into this market.

Any subsidization of generation.

- Subsidies distort the market, whether they are for renewables or dispatchable resources, and create negative consequences for reliability as well as the competitive market.