

RELIABILITY IN ERCOT THROUGH COMPETITIVE MARKETS: *FIXING THE TEXAS GRID*



TCPA: Who We Are



Texas Competitive Power Advocates (TCPA) is a trade association that represents power generators and wholesale power marketers with investments in Texas and ERCOT's wholesale electric market.

Our members' assets include:

- Natural Gas
- Coal
- Nuclear
- Wind
- Solar
- Energy Storage



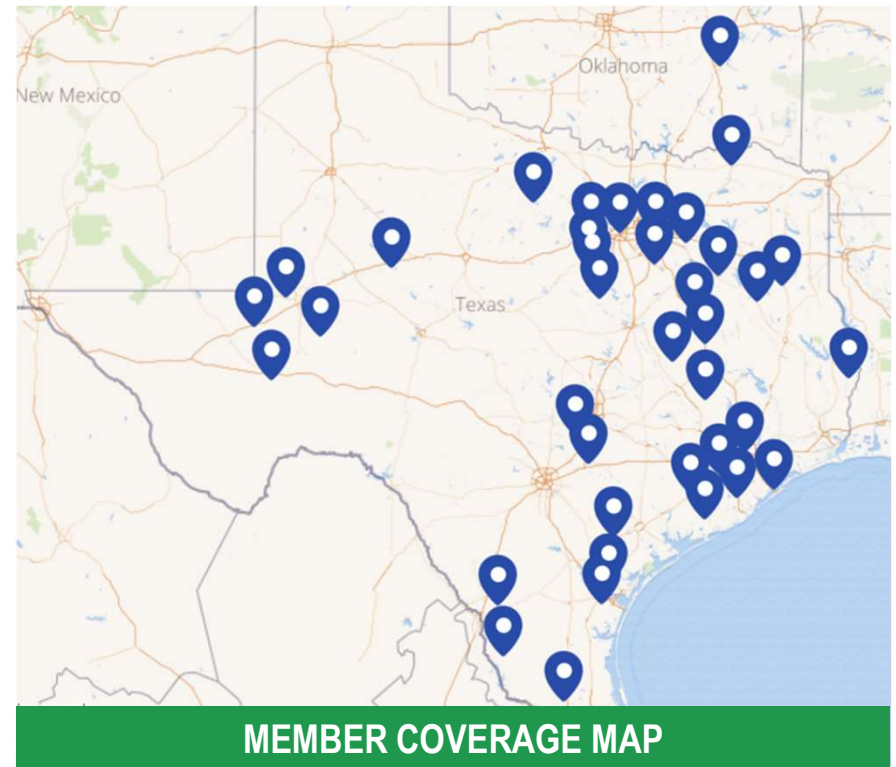
Generation in ERCOT

“Utility Scale”:

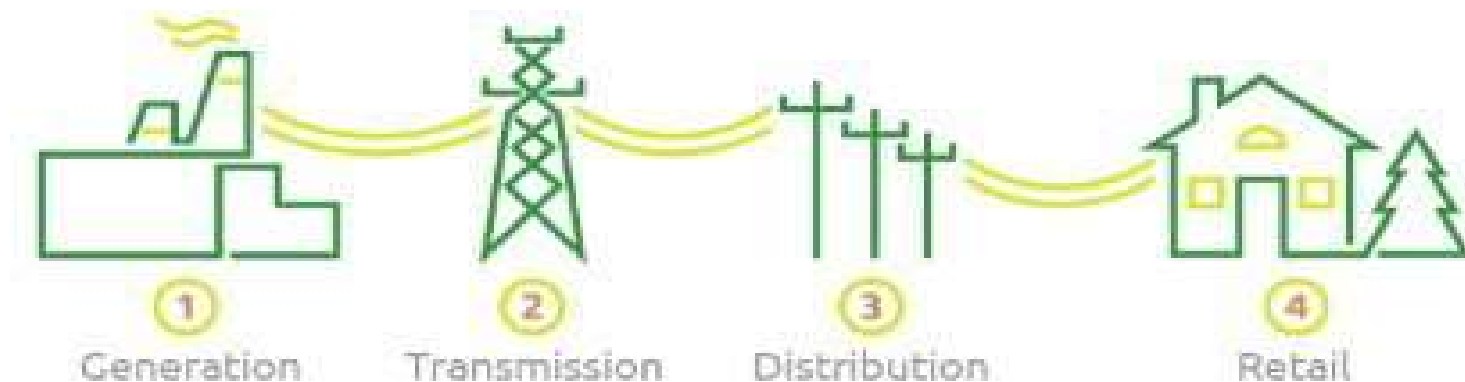
- Natural Gas
- Coal
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- Wind
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- Energy Storage

Distributed:

- Diesel
- Natural Gas
- Rooftop Solar
- Geothermal



From the Power Plant to Your Home



- No longer owned by TDU
- No defined sales territory
- No cost recovery
- No ROE
- No longer regulated
- Suppliers compete

- Remains regulated
- Has defined service price set by PUC
- Remains utility responsibility
- Cost recovery
- ROE
- Captive customers
- Includes substations

- Choose generation Suppliers
- Develop innovative products
- Competes for customers throughout ERCOT
- No defined service territory
- Competitive market

WINTER STORM URI: What went wrong?

Generation:

- Frozen
- Outages
- Lack of Fuel

Wind:

- Frozen

Natural Gas Supply:

- Frozen
- Diverted to home heat
- Did not honor contracts
- Paid to shed load

WINTER STORM URI: What went wrong?

ERCOT:

- Grid isolated (feature, not a bug)
- Price-setting

PUCT

Retailers:

- Wholesale-indexed products
- Had to acquire power at peak prices for unhedged loads

Market design:

- Long-standing issues exacerbated by Uri's extremes

What happened in neighboring RTOs?



DIFFERENCES IN MARKET DESIGN: ERCOT vs Other ISOs

8 other ISOs

ISOs/RTOs serve 2/3 U.S. customers & over 1/2 of Canada's customers

All but one, in addition to ERCOT, have some type of capacity market

All but one, in addition to ERCOT, have a resource adequacy requirement

Highest scarcity price of all ISOs/RTOs is \$14,000

All U.S ISOs/RTOs account for reserves depletion in pricing



Legislative Response:

From 30 Bills to More than 300

- **HB 16 (Hernandez/Hancock) — Wholesale Indexed Products**
- **HB 1510 (Metcalf)— Non-ERCOT securitization**
- **HB 3648 — Mapping Critical Infrastructure**
- **HB 4492 (Paddie) — Securitization**
- **SB 2 (Hancock)— ERCOT Reform**
- **SB 3 (Schwertner) — Market Design, Weatherization, TERC**
- **SB 1281 (Hancock) — Transmission Reform**
- **SB 1580 (Hancock) — COOP Securitization**
- **SB 2154 (Schwertner) — PUCT Reform**

PUCT RULEMAKINGS & ACTIVITIES

- **Expanded to 5 New Members, 4 appointed & confirmed**
- **Project 51840 – Weatherization**
- **Project 52312 – Administrative Penalties**
- **Project 52691 – ERCOT Weather Study**
- **Dockets 52321 & 52322 – Securitization**
- **Project 52345 – Critical Infrastructure Designation & Mapping**
- **Project 52373 – Market Design**



ERCOT RULEMAKINGS & ACTIVITIES

- **New Members**
- **Generally Conservative Approach – Reliability is the near-term priority. How is it impacting future reliability and the market?**
- **NPRR 1087 – Critical Loads**
- **NPRR 1086 – LCAP**
- **NPRR 1085 - Telemetry**
- **NPRRs 1084 & 1097 – Outage Reporting**



RAILROAD COMMISSION RULEMAKINGS

- **Critical Designation of Natural Gas Infrastructure**
- **Weatherization of natural gas components**
- **Penalty Guidelines for violations**
- **Prioritization of gas in emergencies**

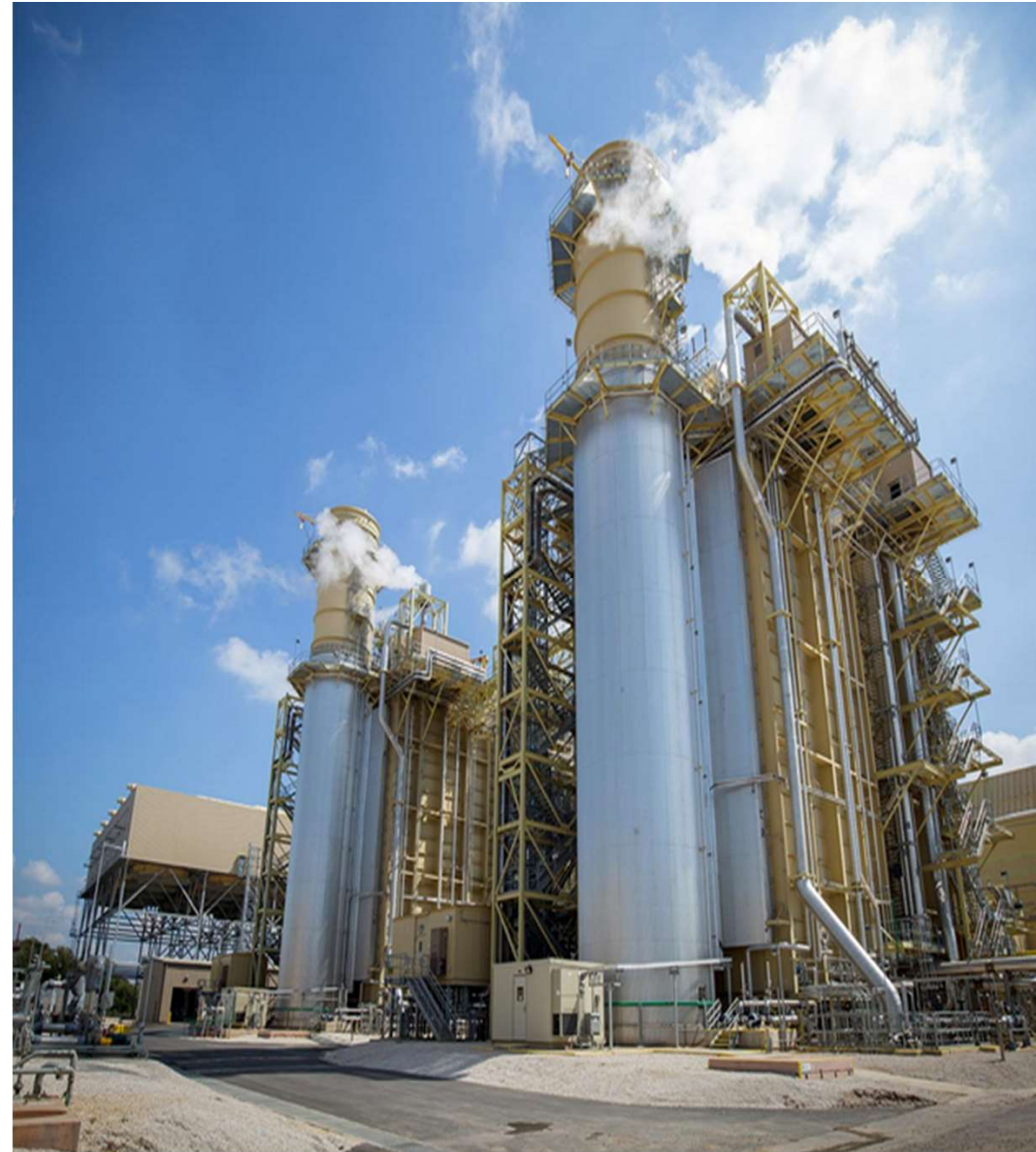
TCPA Recommendation for Reliability in ERCOT through Competitive Markets

- Set a reliability standard and enforce it.
- Value reliable dispatchable resources.
- Market prices should provide a stable & consistent revenue stream to reliable resources.
- Investment risks should be placed on energy companies & not on consumers.
- Prices must reflect competitive outcomes in the market & prices should be adjusted to offset out-of-market actions.
- No segment of generation should be subsidized or provided cost recovery & guaranteed rate of return.



TCPA Perspective

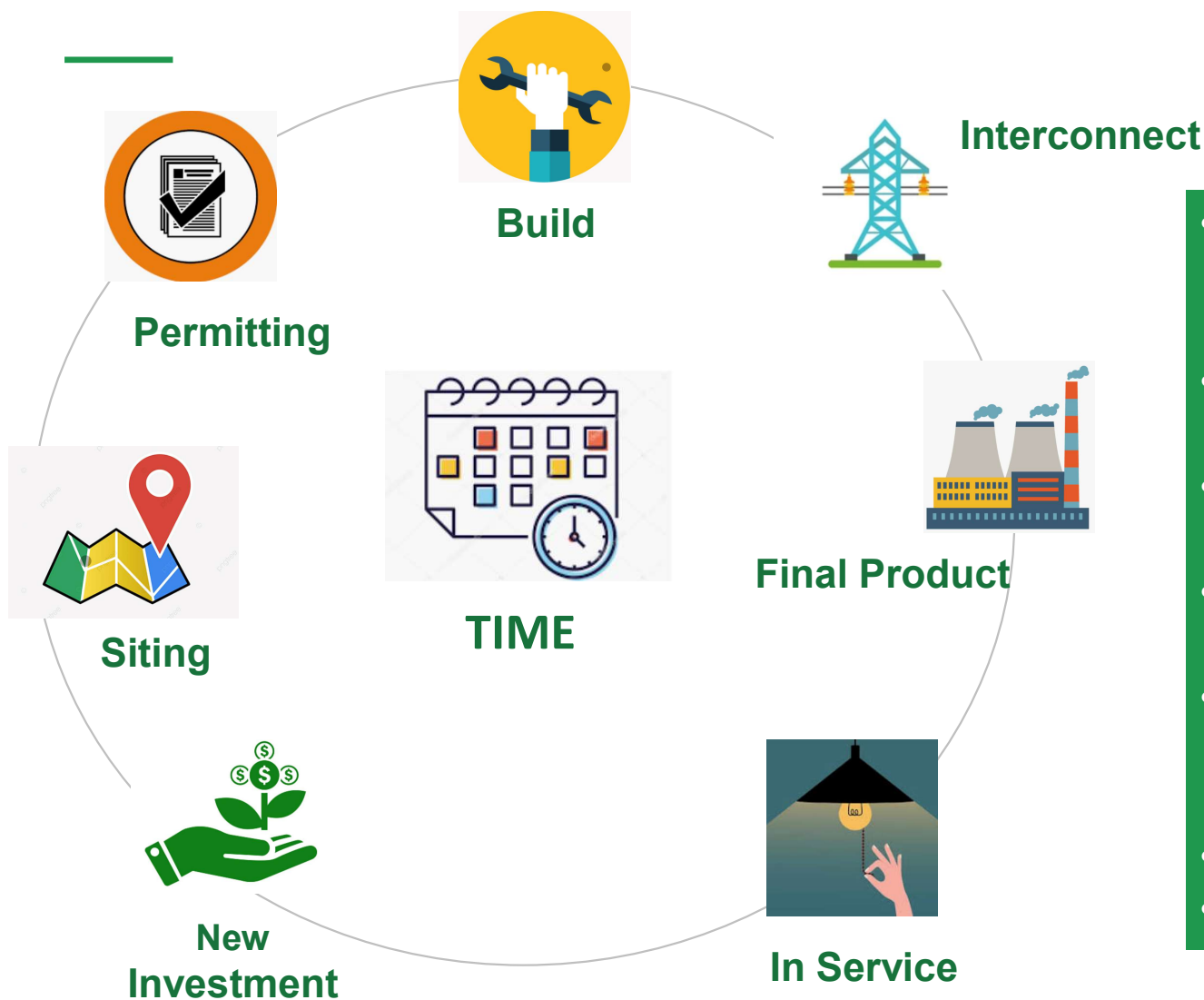
- RUC & RMR: What are they?
- What is “command-and-control” and what does it mean for the market?
- What makes up the price in ERCOT?
- How does the stakeholder process work & why is it important?
- What does the market want to see?
- What helps/hurts in attracting new investment?
- What’s left to do?
- How long does it take to get a plant in service?



TCPA Future Activities

- **Legislative Lunch & Learns:**
 - **3/22:** Topic: *Winter Storm Uri — What We Learned/What Still Needs to Be Done*
 - **6/22:** *Topic TBD*
- **Road Shows:**
 - **11/21:** Houston
 - **2/22:** San Antonio & South Texas
 - **5/22:** Dallas & North Texas
- **Plant Tours:**
 - *[TBD: Contact TCPA to arrange a tour]*





- Market signals new investment needed, financing obtained
- Based on market signals, siting is determined
- Permitting for air & other environmental regulations
- Plant construction takes place
- Transmission interconnection from resource to grid
- Plant ready to energize
- Commissioned into service

QUESTIONS ?



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