**LEGISLATIVE & REGULATORY UPDATE**

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**Texas Competitive Power Advocates (TCPA)** is a trade association representing twelve power generation companies and wholesale power marketers with investments in Texas and the ERCOT wholesale electric market. TCPA members provide approximately 2/3 of the total non-wind electric generating capacity in ERCOT and comprise approximately 50% of the total ERCOT generation fleet. TCPA members own more than 82% of the natural gas generating capacity in ERCOT.

TCPA member companies include: Calpine, Cogentrix, EDF Trading North America, Constellation (formerly Exelon), Luminant (Vistra), NRG, Rockland Capital, Shell Energy North America, Talen Energy, Tenaska, TexGen Power and WattBridge. Here is a [LINK](https://competitivepower.org/) to our website.

If you are interested in knowing what generation resources TCPA member companies have, here is a [LINK](https://competitivepower.org/map/) to our interactive map. The data can be searched by company, fuel type and county.

**Legislative Priorities**

With the session now underway, TCPA is pleased to share its legislative priorities:

1. **Support regulatory certainty** by promoting a competitive and reliable ERCOT electric market that properly values the reliability needed from dispatchable resources.
2. **Support affordable consumer costs and future electric reliability** by reforming the intrastate natural gas market to require transparency and accountability.
3. **Support PUC budget requests** to ensure sufficient regulatory infrastructure to implement market changes.
4. **Support PUC sunset bill** and maintain the scope of agency functions rather than policy changes.
5. **Oppose market disruption or degradation of the separation between regulated companies and competitive generation** by the state or ERCOT.
6. **Oppose excessive transmission investments** paid in regulated rates by consumers.

More details on priorities can be found in the TCPA Priorities Brochure [here](https://competitivepower.org/wp-content/uploads/2023/01/tcpa-88th-legislative-brochure-compressed.pdf). TCPA members and staff would be happy to bring you a printed copy of these priorities and discuss them with you, to help answer any questions you or your staff may have.

**Texans for Reliability**

A coalition of like-minded companies, including TCPA, have launched a new group, Texans for Reliability (TFR), to support measures to adopt a system reliability standard and market changes that will incentivize new dispatchable generation.

TFR is concerned that Texas needs new dispatchable generation today, but that it will take at least two years to build any new plants. However, the investment necessary to begin construction will not come until the PUC finalizes its reliability standard and market reforms. Therefore, any delay by the PUC in acting consequently delays new dispatchable generation that will enhance grid reliability. There is a clock that shows the time to bring a new combined cycle gas plant into service based on action by the PUC, action by the Legislature, and a directive from the Legislature to enact market reforms contrary to those set out in SB 3. Certainty from PUC action could enable the companies that expressed interest in building 4,600 MW of new gas generation to start that process while the Legislature is in session. Any delay of an adopted market design that values reliability would delay movement to invest in new generation in ERCOT – large capital investments of this magnitude require both regulatory and legislative certainty.

More information can be found on the TFR website: <https://texansforreliability.com/>

**Winter Storm Elliott**

As noted above, TCPA’s top priorities this session center on support of an electric market that values reliable dispatchable generation and reform of the intrastate natural gas market to require transparency and accountability. While the Legislature addressed electric market reform during the 2021 session and the PUC has been constructing the design following significant analysis, evaluation and input, the Legislature needs to address the intrastate gas issues impacting electric reliability and consumer costs, as evidenced by recent Winter Storm Elliott which brought prolonged freezing temperatures to the state.

A bright spot during Winter Storm Elliott was that improvements made to strengthen the grid following Winter Storm Uri helped avoid widespread outages. Despite an all-time winter peak in excess of 74,000 MW and demand exceeding forecasts by about 10,000 MW at times, there was enough dispatchable generation to avoid load shed.

However, this latest cold snap showed the need for more dispatchable generation in ERCOT. There were times during the event when non-thermal resources were providing just over 5% of the generation to power our homes and businesses. This led to the issuance of an emergency order by the U.S. Department of Energy at the request of ERCOT which allowed for thermal plants to temporarily exceed emissions limits if ERCOT issued a level 2 or higher energy emergency alert to ensure they could continue producing power if needed. While emissions limit exceedances did not occur, this event further demonstrated the need for PUC market design reforms to meet the SB 3 reliability requirements.

Winter Storm Elliott also showed that Texas needs more intrastate gas system transparency. There were gas service interruptions in several parts of the state, most notably the Arlington-Grand Prairie area and North Austin, and ERCOT deployed up to 948.5 MW of its Firm Fuel Supply Service in response to natural gas issues. The problems in North and Central Texas led Governor Abbott to send letters to both the Attorney General and the Railroad Commission (RRC) asking for them to examine why Atmos Energy was unable to provide natural gas service to customers. In his letter requesting the investigations, the Governor noted that he was particularly disappointed that Atmos had not shared information about these outages during daily calls of the Texas Energy Reliability Council.

These issues and the subsequent lack of information surrounding them highlight the ongoing need for more intrastate gas pipeline transparency. TCPA is working with legislators on ways to potentially address this issue during the legislative session.

**The PUC Continues SB3 Implementation**

SB3 charged the PUC with designing the Texas wholesale electricity market to ensure reliability of the state’s electric grid at a reasonable cost to rate payers. After a lengthy process of analyzing market design options and consulting with stakeholders, the PUC has signaled their support for the Performance Credit Mechanism (PCM) as it would preserve the competitive market while incentivizing investment in dispatchable generation.

On January 10th, Governor Abbott expressed in a letter to the PUC his continued support for the PCM, “because it is based on a reliability standard, incentivizes new dispatchable generation, and maintains Texas’ energy-only market.”

The Governor also noted that adoption and implementation of the PCM could lead to thousands of new megawatts of dispatchable generation. Michele Richmond, TCPA Executive Director, has previously testified that TCPA members stand ready to build nearly 4,600 MW of new, dispatchable gas generation, if the PCM is adopted under the right framework.

By incentivizing the investment of private capital, the PCM preserves Texas’ deregulated free-market and maintains an “energy-only” grid. This is in stark contrast to regulated state-backed generation, which would upend the competitive market. The latter would cost consumers billions of dollars while creating an unfair economic advantage for certain market participants and would likely lead to the retirement of certain dispatchable generation.

**Texas Sunset Advisory Commission**

In a meeting on January 11th, the Texas Sunset Advisory Commission voted on recommendations related to several state agencies, including the PUC, ERCOT and OPUC.

In keeping with one of TCPA’s priorities for the 88th Legislature, the Commission voted to provide the PUC with more funding and staff. The Commission also voted to direct the PUC to expedite rulemaking to set a reliability standard and establish this standard no later than May 1, 2023. TCPA strongly supports this directive as critical to establishing greater reliability in ERCOT.

A copy of all decisions made by the Commission related to the PUC, ERCOT and OPUC can be found [here](https://www.sunset.texas.gov/public/uploads/2023-01/PUC%20ERCOT%20and%20OPUC%20Commission%20Decisions%20final.pdf).

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

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