Electric Market Redesign

Don't California the Texas Grid!

Fact Versus Fiction

The proposal put forth by TAM/TXOGA/TCC is straight out of California. State-funded generation, patchwork ancillary services and Reliability Must-Run (RMR) contracts.

It will not result in new dispatchable generation, as opposed to the Performance Credit Mechanism (PCM) which has already resulted in new development efforts.

Low interest rates have been the norm for years, yet have not spurred investment in ERCOT. Meanwhile, almost 10.9GW of new combined-cycle plants were constructed in the U.S. between 2021-2022. New natural gas plants are being built, just not in ERCOT.

Likewise, tax abatements will not generate the revenue needed to spur new investment. Low-interest loans and tax abatements are only half of the solution.

Anyone can build a power plant in ERCOT, TAM/TXOGA/TCC members included. Yet, not even TAM/TXOGA/TCC members have announced an intent to build new power plants based on the their proposal.

TCPA* supports the PCM because generators will build into a functioning market with stable revenue and incentivizes targeting reliability and dispatchability. The PCM delivers these.

*Member company Shell supports an alternative proposal.

TAM/TXOGA/TCC Proposal

Texas Grid Reliability Fund & Tax Abatements - **Low-interest loans and tax breaks alone will not result in new dispatchable generation** investment. Neither provide the revenue required to pay back loans or to cover operations & maintenance expenses needed to sustain dispatchable resources. Only a reliability service, like PCM, provides such targeted revenue through a consistent market mechanism.

"Targeted Market Design Changes" - Payment for dispatchable resources to be available as an "insurance policy" is **paying for capacity, not performance** and taking resources out of the market .

Patently misrepresents the true cost of the PCM as $5.7B by failing to note the $5.2B annually in energy and ancillary services savings. The true equilibrium cost is $460M, only a 2% increase.

PUC Proposal (PCM)

A **Texas-specific** solution that has prompted TCPA members to commit to nearly **4,600 MW of new generation** if the PCM is implemented under the proper framework. Additional announcements have been made since the PCM was adopted.

Pay for performance. The PCM is **not a capacity market**, no matter how often naysayers make the claim.

Produces **10 times reliability** of current system at **only 2% increase in cost** ($460M).

Any dispatchable resource may participate, including co-generation and demand response.

Utilizes a centrally-cleared market, allowing for **transparent pricing and competition**.