

TCPA TIMES



EXECUTIVE DIRECTOR'S UPDATE

TCPA continued our engagement this month at ERCOT and the PUC as they work towards market redesign and implementation of new policies from the 87th & 88th Texas Legislatures.

Several new rules were adopted, including the TEF Completion Bonus Grant Program and Voluntary Mitigation Plans, while progress was made on the Reliability Standard, PCM, DC Ties, and ECRS. TCPA is participating in a variety of stakeholder meetings and workshops as well as filing comments on key issues for our member companies.

TCPA would like to take this opportunity to thank all of the staff at both ERCOT and the PUC for the tremendous amount of work they have put into these projects. They have been thoughtful and deliberative in considering the input of TCPA and other stakeholders, resulting in better outcomes for ERCOT and all Texans.

As the future of the market comes into focus, investors will hopefully begin to see that Texas remains committed to achieving reliability through competitive markets. Coupled with regulatory certainty, this should provide the comfort level needed for investment.

The Electricity Policy Summit held by TAM, TXOGA and TCC indicated many areas of agreement between large electric consumers and generators, including a shared belief that competitive markets are more cost effective and efficient for consumers and market participants. TCPA continues to work with those organizations and other stakeholders to ensure reliability, continued innovation and cost efficiency.

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PUBLIC UTILITY COMMISSION (PUC) NEWS

TEXAS ENERGY FUND (TEF) COMPLETION BONUS GRANT PROGRAM

During the April 25th Open Meeting, the PUC adopted 16 Texas Administrative Code (TAC) §25.511, the new rule for the TEF Completion Bonus Grant Program. This new rule is effective May 15th.

TCPA participated throughout the rulemaking process and is grateful to the Commission and Commission Staff for their work and thoughtful consideration of the final rule, which incorporated several of TCPA's recommendations. Importantly, the final rule includes a 10-hour grace period before the Availability Reliability Factor (ARF) imposes a discount on a generator's potential bonus. This will help reduce the financial risk from performance being measured during periods of ERCOT-approved planned maintenance outages.

The adopted rule also included expansions at existing sites in which resource owners may add new gas generation in areas that have good access to fuel and transmission. Expansions are often able to come into service sooner and will provide significant new megawatts to ERCOT faster than development that requires land acquisition and building access to fuel sources.

PERFORMANCE CREDIT MECHANISM (PCM) IMPLEMENTATION

April saw continued progress towards PCM implementation, with several memos filed and a workshop held on the subject.

Commission Staff filed a memo on April 4th that summarized the Commission's discussion on PCM during the March 21st open meeting and made recommendations for consideration by ERCOT and market participants.

Additionally, the IMM filed a memo on April 5th reflecting his thoughts on market power as it relates to both the potential forward Performance Credit (PC) market and real-time market.

The Commission subsequently discussed Commission Staff's memo at the April 11th Open Meeting and expressed their comfort with both its substantive comments and proposed next steps.

Finally, ERCOT held a PCM Workshop on April 17th in which ERCOT's consultants, Energy and Environmental Economics (E3), laid out their strawman design process, modeling & study approach, and key decision points.

ERCOT is expected to file their thoughts on PCM Design Parameters on or about May 1st and another work session at the PUC is anticipated in June or July.

PUBLIC UTILITY COMMISSION (PUC) NEWS

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RELIABILITY STANDARD FOR THE ERCOT MARKET

On April 4th, ERCOT staff provided the Commission with an update on Project No. 54584, Reliability Standard for the ERCOT Market. SB 3 (88R) requires that the PUC ensure that ERCOT establishes requirements to meet the reliability needs for the ERCOT region.

The latest update noted that ERCOT has completed the modeling of the final proposed reliability standard study scenarios. The results of those study scenarios can be found in the presentation linked [here](#).

ERCOT reported that they have also completed the initial steps in the Cost of New Entry (CONE) study and expect the final report to be filed by the end of May 2024. Additionally, the PUC will hold a [technical workshop on the reliability standard on May 2nd](#).

REVIEW OF DC TIE ISSUES IN TRANSMISSION PLANNING

Commission Staff continues to work through their review of DC Tie Issues. On April 18th, Staff [filed a memo](#) summarizing the feedback they received from stakeholders in response to [the questions posed on January 18th](#).

After considering the input received, Staff recommended that the Commission address the issue and proposed DC ties be reviewed holistically on an individual basis with consideration given to the anticipated benefits to the ERCOT system, public interest, and cost to load serving entities.

Staff also recommended the Commission not adopt any minimum deliverability criteria, and that the Commission provide clear guidance to ERCOT that the DC Tie deliverability policy should not be decided in a planning guide revision request.

During the April 24th Open Meeting, the Commission discussed the issue and agreed it would be best for the Commission to open a rulemaking on DC ties in order to establish a consistent, holistic process for analyzing potential DC ties.

PUBLIC UTILITY COMMISSION (PUC) NEWS

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VOLUNTARY MITIGATION PLANS (VMP) ORDERS

In accordance with HB 1500 (88R), the PUC has adopted new rules regarding VMP plan requirements and administrative penalties.

TCPA appreciates the Commission incorporating many of the suggestions made by TCPA into the final rules. These changes retain the voluntary aspect of the VMPs while providing transparency regarding what type of wholesale market design changes will trigger a review and provide sufficient notice.

The new rule language can be found [here](#), [here](#), and [here](#).



ERCOT NEWS

CEO UPDATE

During the April 23rd ERCOT Board of Directors Meeting, ERCOT President and CEO Pablo Vegas presented to the Board about ERCOT's planning process. Vegas explained that ERCOT expects tremendous growth in demand for electricity in the next 5-7 years, and that ERCOT needs to adapt and plan differently as a result.



ERCOT President &
CEO Pablo Vegas

HB 5066 (88R) now requires ERCOT to consider prospective load identified by Transmission Service Providers (TSPs). As a result, the current forecast is approximately 40 GW greater than last year's, largely due to large loads such as crypto mining and data centers.

Vegas stated that this new load presented opportunities for new generation of all types, but he added the need for a balanced mix of generation resources to serve this load. Vegas also shared that ERCOT has the processes in place to connect generation and load to meet the pace of growth, but that the final decision on any new transmission projects would be made by the PUC.

NPRR 1224 ECRS MANUAL DEPLOYMENT TRIGGERS - TCPA COMMENTS

The Protocol Revision Subcommittee (PRS) is currently considering NPRR 1224 which introduces a trigger that ERCOT may use to manually release ERCOT Contingency Reserve Service (ECRS) from Security-Constrained Economic Dispatch (SCED)-dispatchable Resources when the system power balance constraint is consistently violated and the MW amount of the power balance violation is at least 30 MW for ten consecutive minutes.

TCPA provided comments on April 20th which highlighted the need to ensure that the proposed manual trigger does not undervalue ECRS or suppresses energy prices, and recommended modifying the power balance violation threshold to 40 MW, which is more consistent with the expected outcome under the currently contemplated Real-Time Co-optimization framework. Sufficient price signals are necessary to attract investment and to incentivize resources to be available in real-time to provide operational reliability.

NPRR 1224 is currently still pending action in PRS.

ERCOT NEWS

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MAXIMUM DAILY RESOURCE PLANNED OUTAGE CAPACITY (MDRPOC) RECOMMENDATIONS

In accordance with ERCOT protocols, ERCOT is reviewing the current methodology and the calculated MDRPOC. As a part of this process, the Wholesale Market Subcommittee (WMS) discussed the issue during their April 3rd meeting.

During that discussion, TCPA made several recommendations to better ensure generation owners are able to take and complete planned outages while ensuring ERCOT has the resources necessary to properly manage the grid. The current MDRPOC has shortened the timeframe during which owners are able to conduct inspections and maintenance work necessary to efficiently and effectively run their fleets. TCPA's recommendations would help the MDRPOC process work better for both ERCOT and generators.

ERCOT is reviewing additional information and will present the final scope of the performance review at the May 22nd Technical Advisory Committee (TAC) meeting. More information about the process can be found [here](#).

TCPA's recommendations are summarized below and can be found in their entirety [here](#).

TCPA'S RECOMMENDATIONS

1. Allow a minimum amount of planned outage capacity throughout the year, based on the complexity of and size of the outage.
2. Allow for a gradual increase in outages entering the spring maintenance season and gradual declines in outages exiting the fall outage season.
3. Revise outage allowances 30 days ahead of the outage timeframe based on changes in load and weather forecasts.
4. Add Energy Storage Resource (ESR) capacity to the formula for determining how much outage capacity is available.
5. Prioritize outages for major turbine inspection and outage.
6. Allow ERCOT flexibility to approve outages that may extend a day beyond available capacity.

OTHER NEWS

TALEN ENERGY SELLS ERCOT ASSETS

TCPA member Talen Energy has officially sold its assets in ERCOT, the 897 MW Barney Davis and 635 MW Nueces Bay natural gas-fired generation facilities, both located in Corpus Christi, as well as its 178 MW natural gas-fired generation facility in Laredo, to CPS Energy. CPS will continue to operate the plants to power the greater San Antonio area.

As a result of the sale, Talen will no longer have assets in the ERCOT market and has officially withdrawn from TCPA. TCPA appreciates the many years of service Talen has given to the organization, the State of Texas, and the ERCOT market. Thank you to all the Talen staff for the many contributions you have made to all Texans.

More details about the acquisition can be found [here](#).



OTHER NEWS

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GULF COAST POWER ASSOCIATION (GCPA) CONFERENCE

GCPA hosted their annual Spring Conference in Houston on April 16th & 17th. TCPA was proud to sponsor the event and several TCPA members participated in the program.

Calpine CEO Thad Hill delivered the keynote address on the 16th and provided insights on both the present and future state of the ERCOT market. Hill acknowledged that there are challenges presented by the rapid load growth in ERCOT, but shared his belief that capital is responding and will continue to do so if the Legislature gives the PUC and ERCOT time to implement the policies adopted over the past two sessions. He also advocated for a formal program to institutionalize price-responsive load as a resource.

Hill outlined 5 things that need to happen in order for the market to stabilize and ensure new investment in ERCOT is viable: 1) Find the common good; 2) Take a legislative breather and let the experts work to implement enacted legislation; 3) Strive for a non-discriminatory market that values capabilities; 4) Don't throw out one thing until a plan is clear; and 5) Institutionalize price-responsive load as a resource.



Calpine CEO Thad Hill on how ERCOT can meet load growth.



Rockland Capital's Scott Harlan on potential risks faced by entities seeking to add new dispatchable power to ERCOT.

Scott Harlan, Co-Founder & Co-Managing Partner of Rockland Capital, participated on a panel regarding the desire for dispatchable power. Like Hill, Harlan noted the importance of allowing the PUC and ERCOT to implement the new policies and avoid more changes.

Harlan also highlighted the risks to natural gas generators posed by the lack of transparency and regulation of intrastate gas pipelines. Lastly, he discussed the supply chain challenges faced by parties wishing to add new generation to ERCOT.