

# TCPA TIMES



## EXECUTIVE DIRECTOR'S UPDATE

**"A formal, Commission-approved reliability standard is essential to achieve long-term resource adequacy." - PUC Staff Memo**

Senate Bill 3 (87R) mandated the creation of an ERCOT Reliability Standard by the PUC. How that standard should be designed and what metrics should be used is under development. One question that has been posed is whether or not the reliability standard should be "mandatory." The answer to that question is "yes," but what that means requires greater context.

PURA 39.159 is clear that the reliability standard "*shall*" be adopted that "establishes *requirements* to meet the reliability needs of the power region" and that regulators must analyze at least annually whether the ERCOT market is meeting the standard, and if not, adjust market design parameters such as ancillary services and reliability services "on a competitive basis to *ensure* appropriate reliability during extreme heat and extreme cold weather conditions and during times of low non-dispatchable power production in the region."

From a practical standpoint, the reliability standard is simply the reliability goal that the market is designed to achieve and the standard against which the market's effectiveness should be judged. If the market is not meeting the reliability standard, then ERCOT and the Commission are required to evaluate how to provide the market incentives to attract and retain the resources necessary to meet that standard.

The Mirriam-Webster definition of "mandatory" is "required by a law or rule: obligatory." The reliability standard is therefore unambiguously "mandatory." TCPA does not believe "mandatory"

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## **EXECUTIVE DIRECTOR'S UPDATE**

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means that ERCOT or the PUC will solicit capacity to satisfy the standard – quite the contrary, as statute requires that the reliability standard be met “on a competitive basis” using ancillary services and reliability services.

Out-of-market actions like state-sponsored or state-owned generation will not lead to a reliable grid in the most cost-efficient, affordable manner for Texas consumers. TCPA's views are aligned with those expressed by consumer representatives that the reliability standard provides the picture the competitive market is trying to achieve but it is not a license for regulatory purchases of capacity to meet the standard.

## **PUBLIC UTILITY COMMISSION (PUC) NEWS**

### **RELIABILITY STANDARD FOR THE ERCOT MARKET**

On May 2nd, the PUC held a technical workshop to hear from ERCOT staff and stakeholders about factors the Commission should consider in establishing a reliability standard for the ERCOT market.

During the workshop, ERCOT staff presented their findings and recommendations for the Commission. Stakeholders then provided their thoughts and answered questions from the Commissioners.

Following the workshop, PUC Staff filed a memo on May 9th laying out the various decision points that need to be made before staff can begin drafting the Proposal for Publication for the reliability standard rulemaking.

In the memo, Staff stated, “A formal, Commission-approved reliability standard is essential to achieve long-term resource adequacy.” Staff also noted that the passage of Senate Bill 3 (87R) “came (with) the expectation that the Commission would establish a reliability standard for ERCOT, one that would rely on competitive markets to provide the financial incentives to attract and retain the resources necessary to meet the standard.”

Staff went on to recommend the adoption of the multi-metric framework ERCOT proposed last year and establishing a reliability standard that satisfies thresholds on three criteria: frequency, magnitude, and duration.

# PUBLIC UTILITY COMMISSION (PUC) NEWS

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Staff then recommended the following for each of the three metrics:

1. Frequency: Using the historical industry standard of no less than one loss of load event every 10 years.
2. Magnitude: Setting the maximum magnitude based on the maximum number of MW of load shed that can be safely rotated during an event, as determined by ERCOT, with a 0.25% exceedance allowance. This value would be updated on a schedule determined by the Commission.
3. Duration: Setting a maximum duration of 12 hours, with a 1.00% exceedance allowance.

Last, Staff shared that they intend to bring their proposal to publish a rule for public comment to the PUC's June 13th open meeting.

## TEXAS ENERGY FUND (TEF) UPDATE

Following the adoption of the TEF rules last month, the PUC opened the Notice of Intent (NOI) filing period on May 1st which requires an entity to notify the Commission and TEF Administrator of the entity's intent to apply for a loan to finance new construction or upgrades to existing dispatchable electric generating facilities within ERCOT.

While there appears to be some meaningful duplication and some submissions that are likely ineligible, entities have submitted NOIs totaling more than 50,000 MW, including 8,839 MW of TEF interest from TCPA members. To date, TCPA members have announced nearly 10,000 MW of new gas generation interest in ERCOT.

It is important to note, however, that the projects for which entities have filed NOIs have yet to be evaluated by the Commission and are not necessarily indicative of the actual projects that will be built utilizing the TEF.

The PUC officially opened applications for the TEF loan program on June 1st. Filing an NOI does not obligate an entity to file an application for TEF funding but it is indicative of the scope of interest in utilizing the program. Also, there may be entities that seek completion bonuses through the TEF but not loans and vice versa, while some entities may seek both and others will not seek either.

# PUBLIC UTILITY COMMISSION (PUC) NEWS

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### PERFORMANCE CREDIT MECHANISM (PCM) IMPLEMENTATION

The PUC continues its efforts towards potential implementation of the PCM. In support of that work, on May 16th PUC Staff filed a [memo regarding the PCM](#) design parameters that the Commission still needs to resolve. The memo includes a series of questions for stakeholder comments on the outstanding issues. Comments are due to the Commission by June 20th.

## ERCOT NEWS

### NPRR 1224 ECRS MANUAL DEPLOYMENT TRIGGERS

During the 2024 Ancillary Service methodology discussion, the Independent Market Monitor (IMM) proposed that ERCOT be allowed to manually release ERCOT Contingency Reserve Service (ECRS) earlier than the system currently triggers deployment of those reserves.

This led to the Nodal Protocol Revision Request (NPRR) 1224 which introduces a trigger that ERCOT may use to manually release ECRS from SCED-dispatchable Resources when the system shows consistent under-generation of at least 40 MW for ten consecutive minutes.

This manual release, if approved, should take care to ensure that the manual trigger is not based on administratively desired price outcomes designed to undervalue what ECRS provides to the grid or to drive suppression of energy prices or Ancillary Services. These changes would ensure the market continues sending the price signals necessary to attract investment in gas generation, as it has done to warrant the significant interest in building noted in the previous TEF discussion.

Amongst other suggestions, TCPA and other stakeholders proposed raising the trigger and adding an offer floor to ensure that the manual release does not significantly undervalue ECRS. ERCOT's Technical Advisory Committee (TAC) has endorsed NPRR1224 with a \$750 price floor, which reflects compromise among stakeholders. NPRR 1224 now moves on to the ERCOT Board for their consideration.



# ERCOT NEWS

## CONTINUED

### VALUE OF LOST LOAD (VOLL) STUDY UPDATE

The VOLL survey closed for most customers on May 17th but remained open through the end of May to obtain additional responses from certain large commercial and industrial customers.

ERCOT will now review and analyze the survey data before releasing a final VOLL Report. ERCOT Staff expects the final study report to be released by the end of August.

### OTHER NEWS

#### ENVIRONMENTAL PROTECTION AGENCY (EPA) RULE CHALLENGED

Earlier this month, a coalition of 23 states, including Texas, [filed a lawsuit in the U.S. Court of Appeals for the D.C. Circuit](#), petitioning for review of power plant rules finalized by the EPA in April.

EPA's rule would require certain coal and gas plants to limit emissions beginning in 2032 by meeting a carbon dioxide emission standard that equates to installing carbon capture and sequestration technology and running it at 90% efficiency.

Supporters contend that the new rule will drastically cut emissions while still allowing for reliable generation of electricity. However, opponents of the rule contend that compliance is unrealistic given the aggressive timeline and infancy of carbon capture technology. TCPA has significant concerns regarding the impact the new rule will have on resource adequacy in ERCOT and will be monitoring the progress of the lawsuit.

