

TCPA TIMES



EXECUTIVE DIRECTOR'S UPDATE

This month, Texas was struck by tragedy when Hurricane Beryl made landfall on July 8th over Matagorda. The storm knocked out electricity to nearly 3 million Texans and ultimately resulted in loss of at least 36 lives.

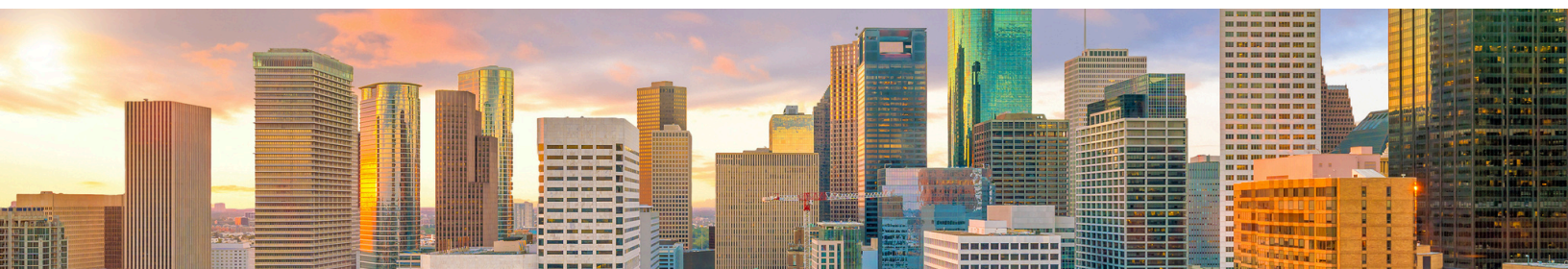
While there has been frustration expressed by customers and policymakers about restoration times and mobile generation operated by transmission and distribution utilities (TDUs), it should be clarified that there were not issues with traditional generation.

TCPA members have made significant investments in weatherization and hardening of their generation assets in recent years and, as a result, performed well during the storm.

Hurricane Beryl has served as reminder that the ERCOT grid is a complex system involving many different entities, each with their own part to play in providing electricity to customers. TCPA appreciates the hard work of the restoration crews working long hours and in difficult conditions to restore service to customers. As policymakers and other stakeholders work in the coming months to identify and fix the problems encountered during this storm, TCPA stands ready to assist in any way possible because at the end of the day what matters is Texans have a reliable, resilient grid.

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LEGISLATIVE NEWS

SENATE AND HOUSE COMMITTEES DISCUSS HURRICANE BERYL FAILINGS

On July 29th, the Texas Senate Special Committee on Hurricane and Tropical Storm Preparedness, Recovery, and Electricity met to discuss issues related to Hurricane Beryl and the response by TDUs to the storm. Overall, the Committee was displeased with the preparation, response and lack of communication with customers by certain TDUs. This included issues such as staffing, vegetation management, communication with the public and officials, and mobile generation assets.

Committee members also questioned the current TDU regulatory scheme and whether or not it would be better to move to a performance-based model instead of a guaranteed rate of return for certain expenditures to better align TDU incentives with those that best serve customers.

Similarly, the Texas House Committee on State Affairs also met on July 31st to discuss utility preparedness and recovery protocols. Like their Senate counterparts, the House members on the Committee, as well as numerous other Houston-area Representatives, expressed their concerns about TDU performance and communication during Hurricane Beryl.

Both Committees vowed to find identify the failings and address them in the upcoming legislative session. Meanwhile, Governor Abbott has ordered the Public Utility Commission (PUC) to perform an investigation into the causes of the power losses and deliver the findings by December 1st.

HOUSE STATE AFFAIRS COMMITTEE GETS UPDATES ON HB 1500 AND SB 2627

During their July 31st hearing, the Texas House Committee on State Affairs also discussed the implementation of several important bills passed by the 88th Legislature, including HB 1500 (PUC Sunset Bill) and SB 2627 (TEF).

Michele Richmond, TCPA Executive Director, testified about the significant progress the PUC has made in implementing the many policy changes contained in HB 1500. Richmond highlighted the pending adoption of the reliability standard and the critical role it will play in the market. Richmond shared TCPA's hope that as the market evolves there will be less reliance on the need for reliability unit commitments (RUCs) and other out-of-market actions. She reiterated the need for regulatory certainty and the impact that changes to the market have on investment.

Richmond also provided an update on the progress of the TEF, including the application by TCPA members for over 7,400 MW of new dispatchable generation. TCPA members have a proven track record of owning and operating dispatchable generation facilities and look forward to the opportunity to proceed to the due diligence stage of the TEF process. Last, Richmond praised the work done by the PUC Staff on such a difficult project within a very tight timeframe.

PUBLIC UTILITY COMMISSION (PUC) NEWS

TEEEF (MOBILE GENERATION) PFP UPDATE

On July 18th, TCPA filed comments on the Proposal for Publication (PfP) for a new rule regarding the Temporary Emergency Electric Energy Facilities (TEEEF) and Long Lead-Time Facilities. The rule establishes a process to allow a transmission and distribution utility (TDU) to lease and operate TEEEF to aid in restoring power to the utility's distribution customers during a significant power outage.

TEEEF resources should be utilized only for their statutorily authorized use cases and be rightsized to each TDU's particular needs because those costs are ultimately borne by ratepayers. TCPA believes that the PUC should closely evaluate the amount of TEEEF that is leased or purchased by TDUs to ensure those resources are reasonable and necessary.

PERFORMANCE CREDIT MECHANISM (PCM) WORKSHOP

On July 25th, PUC Staff held a PCM workshop to discuss a series of questions with stakeholders as the PUC continues to work through implementation of House Bill 1500 (88R).

Michele Richmond attended on behalf of TCPA and provided feedback to the Commission Staff. Generally, Richmond shared TCPA's concern that generators are not punished for prudently taking maintenance or planned outages. Additionally, Richmond conveyed that TCPA members support a program that incentivizes efficient resource commitments and does not distort the real time energy market. Lastly, Richmond noted that any penalties associated with the program are not punitive, otherwise those penalties will serve as a disincentive to participate.

TCPA and its member companies remain committed to working with the Commission and stakeholders to help devise a program that contributes to the achievement of the reliability standard for ERCOT.



PUBLIC UTILITY COMMISSION (PUC) NEWS

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RELIABILITY STANDARD COMMENTS

On July 15th, TCPA filed comments regarding the Proposal for Publication (PfP) for a new rule regarding the reliability standard for the ERCOT region. TCPA believes the reliability standard should reflect the reliability expectations of Texans that policymakers are committed to achieving through the competitive market, without out-of-market actions.

Overall, TCPA agrees with the approach proposed in the PfP. However, TCPA suggests that the final rule should reflect the Commission's full commitment to take action in response to a projected failure to meet the standard which provides confidence to market participants investing in new dispatchable generation that the Commission will ensure ERCOT will continue to support those investment decisions.

Some other suggestions include:

- Specify timelines for ERCOT's assessment and the PUC's rulemaking processes to facilitate engagement by the public and stakeholders
- Enshrine the exceedance tolerances in rule to provide confidence in the ERCOT markets.
- Review the exceedance tolerances on the same timeframe that other market design parameters are reviewed to avoid regulatory uncertainty.

TCPA's full list of recommendations can be found [here](#). It is anticipated that the Commission will adopt the reliability standard in August.

TEXAS ENERGY FUND (TEF) UPDATE

The application deadline for the TEF In-ERCOT Generation Loan Program was July 27th. Afterwards, the PUC reported that 72 applications for the TEF In-ERCOT Generation Loan Program were received, totaling \$24.41 billion in requests. These requests would finance 38,379 MW of proposed dispatchable power generation projects in ERCOT, including just over 7,400 MW of new generation by TCPA members.

PUC staff will evaluate the applications in the coming weeks and the Commission will then determine which projects will proceed to due diligence at their August 29th open meeting.

PUBLIC UTILITY COMMISSION (PUC) NEWS

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NPRR1224 - ERCOT CONTINGENCY RESERVE SERVICE (ECRS) MANUAL TRIGGER & OFFER FLOOR

During the Commission's July 24th Open Meeting, the PUC rejected NPRR1224, which proposed to release a significant portion of ECRS manually for economic and not reliability reasons, including an offer floor of \$750/MWh for resources manually released to the energy market from commitments to provide ECRS to supply energy instead of contingency reserves. The offer floor was a low estimate based on the Real-Time Co-optimization Ancillary Service Demand Curves and intended to prevent price reversal when ERCOT takes an out-of-market action. Instead, the Commission instructed ERCOT to implement a trigger to allow release of up to 500 MW if the system power balance constraint is violated by at least 40 MW for 10 minutes.

TCPA agrees with the Commission's concerns about the impact of electricity costs on consumers and recognizes the need to run an efficient grid. However, TCPA is cognizant that as more and more renewable resources come online in ERCOT there must be a path to long-term revenues that support dispatchable generation otherwise the market may see bankruptcies and/or retirements.

For example, in the minutes following the rejection of NPRR1224, energy prices dipped on the forward market. These signals could discourage investors in dispatchable generation at a time when Texas is desperately trying to attract more to build in Texas.

As a result, TCPA will continue to work with policymakers and stakeholders to find ways to ensure that the revenues necessary to achieve the soon-to-be adopted reliability standard exist in the ERCOT market. One such tool could be the PCM, but other policies may also need to be considered given the statutory limitations of that program (including the Dispatchable Reliability Reserve Service or "DRRS").



ERCOT NEWS

GILBERT HUGHES JOINS ERCOT AS VP OF PUBLIC AFFAIRS

TPCA welcomes Gilbert Hughes as the new Vice President of Public Affairs for ERCOT effective July 15th. Gilbert took over this role from his predecessor, Robert Black, who will serve as Vice President and Executive Advisor at ERCOT during a transition period to assist Hughes.

Hughes joined ERCOT from American Electric Power (AEP) Texas, where he most recently served as Vice President of External Affairs. Previously, Hughes served AEP as Director of Regulatory Services, Governmental Affairs Manager, Key Account Manager, Area Business Manager, Commercial Program Advisor, and Principal Regulatory Consultant.



(Image courtesy of ERCOT)

OTHER NEWS

EPA'S "GOOD NEIGHBOR" PLAN TEMPORARILY BLOCKED

On June 27th, the Supreme Court of the United States prevented enforcement of the Environmental Protection Agency's (EPA) "Good Neighbor" plan while the rule's legality is contested in a lower court because the Court believed the petitioners are likely to ultimately prevail in their underlying legal challenge.

This decision came at the request of Ohio, Indiana, West Virginia, and various other stakeholders that sued the EPA in the U.S. Court of Appeals for the District of Columbia Circuit, arguing that the EPA violated a federal law aimed at ensuring agency actions are reasonable. The D.C. Circuit court refused to block the rule pending review, leading to the request that the Supreme Court intervene.

The rule would require Texas and 22 other states to cut emissions from power plants and other industrial sources. Those challenging the rule believe it could impose unreasonable costs and destabilize power grids. TPCA shares those concerns and will be monitoring the progress of the lawsuit.

TCPA NEWS

TCPA MEMBERS STEP UP TO HELP COMMUNITIES IMPACTED BY HURRICANE BERYL

TCPA members are not just proud to provide of 54,000 MW of electricity in Texas, but they are also proud to call Texas home. With dozens of TCPA member generation facilities and several company headquarters in the Greater Houston area, many of TCPA's member company employees were personally affected by Hurricane Beryl.

Recognizing the vast needs of Houstonians and their neighbors, TCPA members have made millions of dollars in charitable contributions and provided funds to customer assistance programs.

NRG has committed \$2 million in total to disaster relief, including a donation of \$250,000 to the Hurricane Beryl Recovery Fund and \$250,000 to other charitable organizations, such as local food banks. Additionally, NRG is providing over \$1.3 million to directly help customers in need by waiving late fees, providing need-based bill credits to eligible customers, and increasing funding for Reliant's CARE program to assist their retail customers.

Calpine also pledged \$500,000, including a donation of \$250,000 to the Hurricane Beryl Recovery Fund and another \$150,000 to Greater Houston area organizations. In addition, Calpine is providing \$100,000 in assistance for Champion Energy customers, Calpine's retail arm. Further, Calpine is supporting their employees through the Calpine Employee Relief Fund.

Vistra has donated \$1 million to charity and social services partners to help those directly impacted by the storm with supplies and food, as well as assistance with electric bills through its own Energy Aid program.

Tenaska & Shell were also proud to make donations to the Hurricane Beryl Recovery Fund, helping the Fund raise \$5.2 million for assistance to those in need.

