

TCPA TIMES



EXECUTIVE DIRECTOR'S UPDATE

As 2024 comes to an end, we begin to look towards the future. Thankfully, Texas's future looks brighter than ever as evident by the forecasts calling for significant load growth in the coming years. While serving this new demand presents a challenge for all stakeholders, TCPA members are actively seeking to invest in dispatchable generation assets that meet the state's supply needs and support our growing economy.

In December, two more TCPA-member projects were advanced to the due diligence stage of the Texas Energy Fund (TEF) In-ERCOT Generation Loan program, replacing the gap left by a previously denied project. TCPA members now represent half of the 18 TEF projects and more than half of the total MWs in due diligence.

The stage is set for continued prosperity in Texas, and we are committed to its long-term success as shown by our eagerness to participate in the TEF and build over 5,000 MW of natural gas generation in the coming years. TCPA and its members will also remain engaged in efforts to implement the market reforms of the past two legislatures and support policies that incentivize dispatchable generation needed to both maintain a reliable grid and underpin economic growth. Working together, we can ensure the Texas Miracle is alive and well for generations to come.

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LEGISLATIVE NEWS

GRID RELIABILITY LEGISLATIVE OVERSIGHT COMMITTEE

The Grid Reliability Legislative Oversight Committee, co-chaired by Senator Charles Schwertner and Representative Todd Hunter, held their first meeting on December 3, 2024. Both Chairs expressed their thanks to their colleagues for the work done in recent sessions to improve the grid and expressed a desire to continue working collaboratively.

After brief opening remarks, ERCOT Senior VP and COO Woody Rickerson took questions from the committee. Most of these were around the significant load growth that is forecasted in Texas by 2030.

In response, Rickerson discussed the growth of large loads and their potential impact on grid stability. He explained that some loads will co-locate with generation while others will contract for power. He stated that these large loads, including those with co-located generation, raise policy issues such as transmission cost allocation and outage coordination. Rickerson added that ERCOT staff agrees with the Independent Market Monitor that cost allocation policy should be revisited in 2025.

In regards to resource adequacy, Rickerson indicated “I don’t have a positive sense that we have enough generation on the books to serve the load that’s expected.” Chairman Schwertner expressed his concerns with these loads potentially harming grid reliability and indicated that there are a number of ideas being considered regarding large loads to ensure grid reliability and resource adequacy.



PUBLIC UTILITY COMMISSION NEWS

ANCILLARY SERVICES STUDY UPDATE

Over the past year, ERCOT, IMM, and Commission staff have worked on a Review of Ancillary Services in the ERCOT Market. A draft of the study was filed in October followed by Commission Staff recommendations which were discussed during the November 15, 2024 Open Meeting.

Commissioner Hjaltman also discussed her memo on the subject which noted that there are several major projects underway that are expected to significantly impact the market, including DRRS and RTC+B. As such, Commissioner Hjaltman recommended that Commission Staff again study ancillary services as part of the 2026 reliability assessment in order to ensure there are sufficient revenues and incentives for dispatchable generation.

Commissioner Hjaltman also highlighted the need for the Commission to give clear guidance about the operational posture that guides ERCOT's procurement of ancillary services, as well as stakeholder investment.

Chairman Gleeson opined that discussions around DRRS would continue to be important because last session it was presented as an alternative to the Performance Credit Mechanism (PCM) and a way to reduce Reliability Unit Commitments (RUC). He noted that if DRRS and other ancillary services are not meant to be resource adequacy tools then they will need to find alternatives if they are not meeting the reliability standard.

Staff took the Commission's feedback and presented a draft of the final report and Commission findings for the Commission's review. During the December 19, 2024 Open Meeting, the Commission discussed the draft, agreeing with most of it. However, Chairman Gleeson noted they did not agree with the findings regarding DRRS because they should allow for optionality in developing DRRS to serve both intraday operational benefits and resource adequacy needs.

TCPA agrees with the Commission that there are a number of changes to the ERCOT market being implemented that could have a big impact on the market and the effect of these changes should be studied. TCPA also agrees with the need for a resource adequacy solution.

PUBLIC UTILITY COMMISSION NEWS

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TCPA MEMBERS SELECTED TO ADVANCE IN TEXAS ENERGY FUND IN-ERCOT LOAN PROGRAM

At the August 29, 2024 Open Meeting, the Commission advanced a portfolio of projects seeking funding under the Texas Energy Fund (TEF) In-ERCOT Generation Loan Program to due diligence review.

This portfolio included 17 projects totaling 9,781 MW. TCPA members were honored to have seven projects totaling 3,826 MW selected. Subsequently, one of the non-TCPA projects representing 1,292 MW was denied. Commissioners expressed interest in replacing those denied MW and tasked Commission Staff with identifying the appropriate project(s) to do so.

During the December 12, 2024 Open Meeting, the PUC approved the recommendation of Commission Staff to advance two additional projects to due diligence. Both of these projects are proposed by TCPA members: a 721 MW project by NRG and a 510 MW project by WattBridge.

The addition of these two projects means that TCPA members are responsible for nine of 18 projects advanced to due diligence. Further, TCPA members represent 5,057 MW of the 9,720 MW of potential new dispatchable generation advanced to due diligence.

TCPA members have a proven track record of responsibly building and operating natural gas generation resources in ERCOT and are proud to have nine projects selected to help meet the growing dispatchable generation needs of Texas.

PERFORMANCE CREDIT MECHANISM (PCM) SHELVED

In early December 2024, ERCOT and the IMM submitted assessments on the PCM's cost to and effects on the ERCOT market. While ERCOT's assessment showed that the PCM would improve resource adequacy, it found that the PCM could not sufficiently incentivize new dispatchable generation with the statutory cost cap. Alternative designs were considered, but it was determined that they would likely be contentious and that the only

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way to ensure compliance with the statutory language of the cost cap it to utilize a gross cost cap.

As a result, Commission Staff recommended that the Commission not proceed with the PCM as currently designed. However, Staff noted, “ERCOT and the stakeholder community will need to continue discussions around different ways to address the resource adequacy of the system.”

The Commission adopted Staff’s recommendation during the December 19, 2024 Open Meeting and discussed the possibility of revisiting the PCM in the future.

COMMISSIONERS GLOTFELTY & COBOS STEP DOWN



During the November 21, 2024 Open Meeting, PUC Commissioner Lori Cobos announced her intention to resign at the end of the year. Commissioner Cobos was appointed to the PUC by Governor Greg Abbott in 2021 and has been instrumental in making the grid more resilient through market reforms and efforts such as weatherization.

On December 4, 2024, Commissioner Jimmy Glotfelty likewise informed Governor Abbott of his intention to resign at the end of the year. Commissioner Glotfelty was also appointed to the PUC by Governor Abbott in 2021 and has been a key voice in the post-Uri reforms and efforts such as the Texas Advanced Nuclear Reactor Working Group.



TCPA thanks Commissioners Cobos and Glotfelty for their service to Texas and wishes them the best in their next endeavors. TCPA also looks forward to working with whomever is appointed to fill their positions and helping them be as successful as Commissioner Cobos and Commissioner Glotfelty.

ERCOT NEWS

NPRR1180 & LOAD FORECASTING

TCPA continues to be engaged on [NPRR1180](#) and load forecasting issues in general. Earlier this year, ERCOT projected that could add over 150GW of load by 2030. TCPA welcomes this potential growth and the economic benefits it would bring to Texas, but believes more transparency is needed in the process to better determine how much of this potential load is “real” rather than speculative or duplicative.

TCPA is working with transmission service providers (TSPs) and stakeholders on possible changes that will help ensure there is adequate generation and infrastructure in order to meet the load that wants to come to Texas. More information is needed not just on the total amount of new load, but the timeline for these projects to come online. It is important to right-size any new generation or transmission investments to avoid costly overbuilding. Market design changes may also be needed to help drive forward price signals to align supply with the expected demand.

ANCILLARY SERVICE DEMAND CURVES (ASDC)

ERCOT Staff provided the Commission with an update on the ASDCs during the November 21, 2024 Open Meeting. Staff hopes to implement any changes in April of 2025 and then perform market trials in May 2025.

Staff noted that discussions are ongoing in the Real-Time Co-optimization plus Batteries Task Force (RTCBTF) about the timing of potential implementations and that some might occur after Real-Time Co-optimization (RTC) is implemented in December 2025. Currently, there are several proposals on the table, including one from the Independent Market Monitor (IMM), and ERCOT expects an NPRR to be developed by January 2025 to deal with these issues. However, staff explained that if there is not prompt movement on the NPRR, implementation of RTC could proceed as is and then changes could be made afterwards. Of note, Staff added that any changes to the ASDCs would need consensus approval or they would not be implemented.

TCPA will remain engaged on this issue and offer input in the hopes of meeting consensus. Ultimately, TCPA believes that the IMM’s proposal could be appropriate as long as the ASDC reflects ERCOT’s conservative operations, the proxy offer curve reflects a reasonable AS clearing price, and that AS is awarded to those resources that can deliver.

ERCOT NEWS

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NPRR1235 - DISPATCHABLE RELIABILITY RESERVE SERVICE (DRRS)

Discussion continues around NPRR1235 which would develop a stand-alone DRRS product. Several issues have been raised, including what the shape of the Ancillary Service Demand Curve should look like, what the maximum price should be, when DRRS should be procured, and which resources should be included. Additionally, debate remains on whether or not DRRS should exclusively be an operational tool or have some resource adequacy component as originally contemplated.

Of note, a recent assessment by ERCOT/E3 found that if DRRS is implemented as currently defined in NPRR1235, it would incent less than 100 MW of additional natural gas generation.

TCPA will continue to monitor and work with stakeholders in an effort to develop a product that meets the needs of the market.

