

TCPA TIMES



EXECUTIVE DIRECTOR'S UPDATE

If the first two months are any indication, 2025 promises to be another important year for the development of the ERCOT grid. Numerous policy changes from the last two legislatures are currently being implemented, including the Texas Energy Fund.

Real-time co-optimization is also scheduled to go live at the end of the year and will have significant impacts on the ERCOT market. There are still several key policy decisions to be made that will determine what those impacts look like for generation resources, though ERCOT's and the Independent Market Monitor's (IMM's) backcasts suggest real-time co-optimization (RTC) could remove billions of dollars from the ERCOT real-time market, which would be materially negative for supporting investment in and retention of dispatchable generation, all else equal.

Meanwhile, the Texas Legislature is in session and has already discussed several ERCOT-related topics such as forecasted load growth and dispatchable generation objectives. Numerous bills on renewable resources and their impact on the market have also been filed.

TCPA and its members are fully engaged in the stakeholder processes at ERCOT and the PUC to help implement the Legislature's priorities. TCPA will also continue to monitor legislative proposals and provide feedback as appropriate to help improve reliability of the grid and maintain a competitive market.

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LEGISLATIVE NEWS

89TH LEGISLATIVE SESSION UNDERWAY

The 89th Texas Legislative Session began on January 14, 2025 and will run until June 2, 2025.

In the Senate, the Business & Commerce Committee continues to have jurisdiction over electricity-related issues. The committee is again lead by Chairman Charles Schwertner and Vice Chairman Phil King. Aside from Senator César Blanco replacing Senator Brian Birdwell, the remainder of the committee membership is unchanged.

In the House of Representatives, the State Affairs Committee maintains jurisdiction over electricity-related issues. Chair Ken King now leads the committee, while Vice-Chair Ana Hernandez returns to her position. The committee will be rounded out by Representatives Drew Darby, Yvonne Davis, Charlie Geren, Ryan Guillen, Richard Peña Raymond, John Smithee, Rafael Anchía, Lacey Hull, John McQueeney, Will Metcalf, Dade Phelan, Senfronia Thompson, and Chris Turner.

So far, there have been a number of bills filed related to ERCOT, including legislation regarding the resilience of the grid, temporary emergency generation at critical facilities, and increasing dispatchable generation. The accuracy of the load forecast, energy use by large loads such as data centers for artificial intelligence, and transmission cost allocation are also expected to be big topics of interest this session.



Senators Charles Schwertner and Phil King will lead on electric issues in the Senate, while Representatives Ken King and Ana Hernandez will lead in the House (pictured from left to right).

PUBLIC UTILITY COMMISSION NEWS

MORE TCPA-AFFILIATED PROJECTS ADVANCE TO TEXAS ENERGY FUND (TEF) IN-ERCOT LOAN DUE DILIGENCE

Following the withdrawal of a 271 MW non-TCPA project that had been advanced to due diligence, the PUC approved a 342 MW project proposed by TCPA's Rockland Capital be advanced to the due diligence phase of the TEF In-ERCOT Loan Program during the January 16, 2025 PUC open meeting. Similarly, following the withdrawal of another non-TCPA 930 MW due diligence project, the PUC subsequently moved forward two projects from TCPA's NRG and Vistra (455 MW & 440 MW, respectively).

In reviewing NRG's and Vistra's recent advancements, Commissioners noted that nearly two-thirds of MWs in due diligence are from companies other than the largest four generators. About half of that total comes from other TCPA member companies.

With the most recent Rockland, NRG and Vistra advancements, TCPA members account for 12 of 19 projects and 6,294 MW of 9,774 MW advanced to due diligence. This reflects the experience and expertise of TCPA's membership in successfully developing and operating thermal generation resources.

TEF IN-ERCOT BONUS GRANT COMPLETION PROGRAM OPENS

In addition to the TEF In-ERCOT loan program, SB 2627 (88R) included an In-ERCOT bonus grant completion program. Together, the programs are eligible for up to \$7.2B in state funding. Currently, the loan program represents \$5.37B in loans, so the completion grants could be worth over \$1.8B. The PUC began accepting applications for the program on January 1, 2025. TCPA member Calpine became the fourth company to file an application submission statement for a TEF completion bonus grant on February 25, 2025.

New dispatchable electric generation resources that meet certain planning requirements after June 1, 2023, and interconnect to the ERCOT power grid before June 1, 2029, may be eligible for a completion bonus grant. The grants will be paid in installments over a 10-year period to eligible facilities that meet performance standards set by the PUC. Generally, plants will need to be available to operate and provide electricity during the 100 hours of highest net load each year in the 10-year period.

PUBLIC UTILITY COMMISSION NEWS

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Performance will be graded on a curve that will be based on a set of “baseline” generators. Per rule, the PUC will have to randomly sample “at least 30” eligible generators each year to construct that test year’s curve. TCPA has raised the issue using only 30 generators could lead to more variability and less predictability in the awarding of grants. Therefore, TCPA suggests as many generators as possible are included in the sample. TCPA will continue working with ERCOT/PUC on this issue to help meet the Legislature’s goals of new dispatchable thermal generation being expeditiously built in ERCOT.

POSSIBLE FIRM FUEL SUPPLY SERVICE (FFSS) EXPANSION

During the January 31, 2025 PUC open meeting, ERCOT staff expressed a willingness to consider changes to the FFSS if the Commission desired. Staff explained that they recently conducted a survey to understand what resources may be available for FFSS. The results indicated that if the definition of qualifying pipelines were expanded, then up to 57 additional resources could participate. For context, there were 33 resources procured during the November 15, 2024 - March 15, 2025 procurement.

Commission Staff indicated they will collaborate with ERCOT, the IMM and stakeholders to develop an NPRR that makes the potential changes while minimizing risks. They noted that the current limitations on FFSS procurement will be evaluated and that consideration will be given to separate offer caps for fuel oil and gas.

ERCOT has filed [NPRR1275](#) to implement these proposed changes which TCPA will monitor as it proceeds through the stakeholder process.



PUBLIC UTILITY COMMISSION NEWS

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EXEMPTION PROCESS FOR ERCOT TECHNICAL STANDARDS

In December of last year, PUC Staff filed a Proposal of Publication seeking “first, to create a process for market participants to request an exemption from an ERCOT reliability requirement for a resource and second, to modify the appeal process at the commission for appeals from ERCOT decisions on exemption requests.” Staff then hosted a workshop on the issue on February 10, 2025, and comments on the rulemaking were due on February 18, 2025.

While TCPA is not convinced a rule is necessary, TCPA filed comments supporting a rule that seeks to ensure grid reliability while not forcing existing resources into retirement due to ever-changing reliability requirements.

Broadly, TCPA believes that all resources should comply with the same reliability requirements and that any exceptions should not present an unacceptable reliability risk to the grid -- including other generators. Further, TCPA generally opposes retroactive requirements on existing resources that followed the rules in place at the time of investment, especially those that could be forced into retiring a resource if compliance with new rules is cost prohibitive, not commercially available, or otherwise technically infeasible.

The rule should also narrowly define what constitutes an "unacceptable reliability risk" to ensure that exemptions would generally be available to resources that cannot, due to cost, supply availability, or other technical feasibility, come into compliance with a new requirement, so long as the exemption would not put the grid or other resource owners' equipment at risk. TCPA also supports a time limitation on such exemptions, which TCPA suggests should be two years absent good cause.



ERCOT NEWS

WINTER STORM PERFORMANCE

January saw two winter storms - Cora and Enzo - impact the ERCOT region, and February saw Winter Storm Kingston.

Winter Storm Cora brought ice and snow to large parts of North Texas, resulting in closed schools and canceled flights throughout the region. Despite the weather, the grid did not experience any reliability impacts. Next, Winter Storm Enzo resulted in snow, sleet and freezing rain across Texas. Though there were some transmission outages, again the grid performed reliably. Finally, Winter Storm Kingston saw the most severe winter storm of the season, where ERCOT set a new unofficial* all-time winter and February peak demand of 80,154 MW (*pending final settlement).

Thermal generation performed admirably with actual forced outages well below ERCOT's 50th percentile expectations per the January and February monthly operating & resource adequacy (MORA) reports.

REAL-TIME CO-OPTIMIZATION STILL ON TRACK BUT POLICY DECISIONS REMAIN

The Real-Time Co-Optimization plus Batteries (RTC+B) market design change continues to progress towards a December 5, 2025 go-live date, which ERCOT and the IMM have estimated could remove billions of dollars from the market. Stakeholders continue towards resolving several remaining policy issues to support that timeline.

On January 28, 2025, ERCOT filed [NPRR1269](#) which “determines and codifies a group of policy changes that were deferred from the original RTC-related Protocols developed in 2020.” This includes three policy concepts that have been developed in coordination with the RTC+B Task Force (RTCBTF): parameters for Ancillary Service proxy offers floors; scaling factor values for ramping; and Ancillary Service Demand Curves (ASDCs) for use in Reliability Unit Commitment (RUC) studies. Stakeholders have for many months debated how best to incentivize market outcomes over administrative market interference (e.g., RUCs) through AS proxy offers and ASDCs for RUCs vs. real-time (RTM) and day-ahead (DAM) markets. Reacting to ERCOT analysis on March 5 showing that ERCOT may need to add a \$15 ASDC floor for RUC in order to meet its operating plan in some conditions under RTC, TCPA filed comments requesting that the RTM and DAM ASDCs be given the same economic signal as the RUC ASDCs (to give the market a chance to solve on its own) and that proxy AS offers from resources that do not actively participate

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in the market should not be allowed to front-run active competitive offers and in turn create market pricing distortions.

Also on January 28th, the IMM filed [NPRR1268](#) which proposes changes to the ASDCs that will be utilized under RTC+B. The NPRR currently advances the IMM's preferred approach, what they call "blended" ASDCs.

There is hope that stakeholders can reach a consensus on all of these issues in order to be implemented by the go-live date. However, if stakeholders do not reach a consensus, potential changes could be implemented after RTC+B goes live in December 2025. TCPA will continue working with ERCOT, the IMM and other stakeholders to resolve outstanding issues as soon as possible. ERCOT market stakeholders have given a preliminary endorsement to the IMM's blended ASDC proposal and to TCPA's proposals regarding market participation and RUC avoidance.

DISPATCHABLE RELIABILITY RESERVE SERVICE (DRRS) WORKSHOPS

CONTINUE

ERCOT held a fourth workshop on DRRS on February 28, 2025, and presented additional thoughts on their design for DRRS. ERCOT Staff focused largely on procurement and deployment of DRRS, while highlighting the statutory requirement to reduce RUC by the amount of DRRS procured. Staff also noted that the PUC had previously urged them to pursue a design that addresses operational forecast uncertainty while preserving optionality to allow for future market design development to help meet the reliability standard established under Senate Bill 3.

Staff was cognizant of the need to resolve questions around price formation and to flush out the logistics of day-ahead and real-time operations. Other topics included ramping requirements, resource qualifications, and resource COP status.

ERCOT Staff indicated that they will continue to utilize workshops to develop their design proposal and then proceed through the stakeholder process with an NPRR where TCPA members will continue to engage in constructive conversations towards implementation.