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PROJECT NO. 58000

RULEMAKING TO UPDATE	§	PUBLIC UTILITY COMMISSION
WHOLESALE AND IOU RETAIL	§	
TRANSMISSION COST RECOVERY	§	OF TEXAS
IN THE ERCOT REGION	§	

**TEXAS COMPETITIVE POWER ADVOCATES (TCPA) COMMENTS ON STAFF
QUESTIONS AND PROPOSAL FOR PUBLICATION (PFP)**

Texas Competitive Power Advocates (“TCPA”) appreciates the opportunity to provide comments on Commission Staff’s questions and the Proposal for Publication (“PFP”) filed on July 10, 2026. TCPA represents fourteen companies active in ERCOT’s competitive market, including independent generation resource owners, power marketers, and generation developers. TCPA members’ portfolios consist primarily of dispatchable thermal generation, including natural gas, nuclear, coal, and some energy storage resources. TCPA members own approximately 48,000 megawatts (“MW”) of generation capacity in ERCOT and represent more than 6,200 MW of gas generation currently under development, some through the Texas Energy Fund (“TEF”) and others through conventional market financing outside the TEF. Many TCPA members are working with large load customers to support the development of reliable generation needed to meet ERCOT’s expected demand growth over the next several years.

TCPA supports the overall direction of the PFP and the changes to ensure residential and small commercial consumers are not paying a disproportionate share of the transmission and distribution system costs. While 12CP is not a perfect cost causation allocation methodology, TCPA supports adoption of a 12CP model as a better method than the current 4CP and looks forward to future evaluations of alternative methods that may offer a more load-share based approach to transmission cost allocation. TCPA comments will focus on the value of co-located arrangements (Bring Your Own Generation, “BYOG,” and net metering arrangements with existing generation, “NMAs”) between large load and generation resources, particularly co-location with thermal generation, and adjustments to the minimum demand charge portion of the

proposed rule to reflect the reduced transmission and distribution costs associated with these configurations.

TCPA provides these general comments in response to certain Staff questions and the proposed minimum demand charge for large load customers but does not submit question-specific comments or proposed redlines to the PpP at this time. TCPA's comments focus on the transmission efficiencies and associated cost reductions that may result when large loads co-locate with existing generation resources or with new generation developed to serve those loads. For co-locations between large loads and thermal generation resources, including arrangements at existing points of interconnection, the minimum demand charge should not be based on contracted peak capacity where the large load does not use that capacity during most system peak periods. TCPA requests that the term "contracted peak demand" in this rule be applied in a manner that reflects the actual metered network load impact. This approach is consistent with actual grid use and the manner in which ERCOT evaluates transmission infrastructure needs. Applying proposed § 25.193(d)(2) to base the minimum demand charge on the full contracted peak demand or non-coincident peak would fail to account for co-located loads that are consuming contracted peak demand but not using that same level of transmission capacity during system peaks and whose reduced transmission needs are reflected in ERCOT's Batch Process planning and reliability modeling. Accordingly, co-located loads should not be assessed demand charges for 20 years based on full contracted capacity when that capacity is not used during most peak periods and ERCOT has not incurred transmission costs because the co-located load interconnects through the generator's transmission interconnection facilities and/or is accounted for that reduced system impact in its planning analyses.

ERCOT recognized these operational and planning considerations in the design and implementation of the Batch Zero Process adopted by the ERCOT Board of Directors on June 1, 2026. The resulting reduction in transmission need is reflected in ERCOT's treatment of Withdrawal-Limited Private Use Networks ("WLPUNs") for modeling purposes in Batch Zero. Specifically, Sections 9.5.4 and 9.3.2.2 of the ERCOT Planning Guide model WLPUNs using both the large-load MW and the associated generation capacity.¹ That planning framework assumes that

¹ ERCOT Planning Guide, July 11, 2026, Section 9 at 27-31.

none of the associated generation is injected into the ERCOT system and accounts for the reduced transmission infrastructure required resulting from the co-location of large load with generation. Because ERCOT has recognized that these arrangements may have a reduced impact on the grid and may require less system build-out when establishing WLPUN withdrawal limits and assessing overall system planning and transmission needs, the Commission should likewise reflect, in any final rule adopted in this proceeding, the materially different transmission needs and expenditures associated with WLPUNs as compared to standalone large loads. These flexible arrangements are comparatively grid-supportive, impose a reduced impact on the transmission system, and therefore warrant more favorable treatment in transmission cost allocation than standalone large loads whose transmission-cost impacts are greater.

TCPA recognizes and supports the policy rationale underlying the establishment of a minimum demand charge for large load customers. However, the final rule should provide for a reduced minimum demand charge for NMAs and WLPUNs that co-locate with thermal generation resources. By way of example, the Commission could establish the minimum demand charge for such large loads at an appropriate discount to the charge applicable to standalone large loads. This treatment would appropriately distinguish large load customers that materially reduce their reliability impacts on the ERCOT transmission system and, in doing so, reduce the transmission infrastructure and associated costs necessary to serve them. Such an approach would also further the Legislature's stated objective of increasing thermal generation in ERCOT. That objective was addressed extensively during the April 1, 2026 Senate Business & Commerce ("B&C")² Committee hearing and again during the July 29, 2026 Senate B&C hearing³. At both hearings, multiple senators questioned panelists regarding the continued proliferation of solar and energy storage resources and the comparatively limited investment in gas-fired generation. Establishing a reduced minimum demand charge for NMAs and WLPUNs that co-locate with thermal generation resources would create a market-based incentive for large load customers to enter into power purchase agreements ("PPAs") with the types of resources for which the Legislature has repeatedly expressed a clear preference.

² Senate Business & Commerce Committee Hearing, April 1, 2026. [Senate Committee on Business and Commerce, April 1, 2026 | Texas Senate Video](#)

³ Senate Business & Commerce Committee hearing, July 29, 2026. [Senate Committee on Business and Commerce, July 29, 2026 | Texas Senate Video](#)

TCPA recommends that the final rule adopt a depreciation schedule-based methodology for the minimum demand charge. Consistent with the treatment of capital assets in ratemaking proceedings, the charge applicable to large load customers should decline on a predetermined schedule over the 20-year cost-recovery period. For large loads not co-located with thermal generation, the minimum demand charge should initially equal 100% of the formula set forth in the PfP and decrease in scheduled increments, such as every five years, during the required 20-year period. For large loads co-located with thermal generation—typically near load centers and existing transmission and distribution infrastructure—the charge should initially reflect an appropriate discount from the PfP formula and decline on the same schedule over the 20-year period.

CONCLUSION

TCPA respectfully requests that the Commission consider these comments in developing any final rule in this proceeding. As discussed above, the final rule should recognize the materially different transmission impacts associated with NMAs and WLPUNs that co-locate with thermal generation, adopt a reasonable cost-recovery structure for any minimum demand charge, and address ESR-related transmission cost-allocation issues in a separate project. TCPA reserves the right to provide additional comments, recommendations, or proposed language as this proceeding develops or as additional issues are identified. TCPA appreciates the opportunity to submit these comments and looks forward to continuing to work with the Commission, Commission Staff, and other stakeholders on these important issues.

Dated: August 11, 2026

Respectfully submitted,

A handwritten signature in black ink that reads "Michele Richmond". The signature is written in a cursive, flowing style.

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EXECUTIVE SUMMARY OF TCPA COMMENTS

TCPA:

- Supports adoption of the proposed 12CP transmission cost allocation methodology as a meaningful improvement over the current 4CP approach, while recognizing that additional refinements may be warranted over time to better align cost responsibility with actual transmission system use.
- Supports the Commission's objective of ensuring residential and small commercial customers do not bear a disproportionate share of transmission costs, while encouraging a framework that continues to support investment in reliable generation.
- Requests that transmission charges for co-located large loads reflect actual grid impacts rather than contracted peak demand. Large loads co-located with generation, particularly thermal generation, often utilize existing transmission infrastructure or require minimal transmission upgrades and place significantly less demand on the ERCOT transmission system than standalone loads.
- Recommends differentiated treatment for NMAs and WLPUNs that co-locate with thermal generation resources because ERCOT's Batch Zero planning process already recognizes these configurations as requiring less transmission infrastructure through its planning and reliability modeling. The Commission's cost allocation methodology should similarly recognize these reduced transmission impacts.
- Advocates for a reduced minimum demand charge for co-located thermal generation projects to reflect their lower transmission cost impacts and to create market-based incentives for large load customers to partner with dispatchable thermal generation resources. This approach is consistent with recent legislative emphasis on encouraging additional dispatchable generation to meet growing ERCOT demand.
- Recommends a depreciation-based minimum demand charge that declines over the required 20-year cost recovery period, rather than remaining fixed for the life of the obligation. For co-located thermal generation projects, TCPA recommends both an initial discount and the same declining schedule over time.