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PUC PROJECT NO. 58482

LARGE LOAD DEMAND MANAGEMENT SERVICE	**§ § § §**	**PUBLIC UTILITY COMMISSION OF TEXAS**

TCPA'S COMMENTS ON PROPOSAL FOR PUBLICATION OF NEW §25.521

Texas Competitive Power Advocates ("TCPA") welcomes the opportunity to comment on the Public Utility Commission of Texas's ("Commission") proposal for publication of new 16 Texas Administrative Code §25.521, relating to the Large Load Demand Management Service ("LLDMS").

TCPA appreciates that the proposal incorporates two central recommendations from TCPA's April 8, 2026 comments.[1] First, proposed subsection (d) authorizes procurement on an "as needed" basis rather than establishing routine seasonal procurement. Second, proposed subsection (f)(2) requires ERCOT to include LLDMS load reductions when calculating price adjustments for reliability deployments. TCPA supports both of these provisions.

The proposal nevertheless leaves several essential safeguards undefined. Without objective procurement and deployment thresholds, clear sequencing with existing market tools, precise treatment in the Reliability Deployment Price Adder ("RDPA"), and meaningful cost and performance review, LLDMS could suppress scarcity signals, compensate load reductions that would have occurred for economic reasons, and impose material out-of-market costs on consumers. TCPA therefore recommends that the Commission narrow and clarify the rule before adoption and require the implementing details to proceed through the normal ERCOT stakeholder process.

[1] https://interchange.puc.texas.gov/search/documents/?controlNumber=58482&itemNumber=7

The principles that ground this design should be consistent in all the reliability mechanisms considered by Senate Bill 6 including mandatory curtailment or deployment of onsite generation. These programs should be utilized in a way that is least impactful to the impacted entities and to market signals, and only after emergency conditions have actually materialized. Implementation details should not be designed at ERCOT's unbounded discretion but with thoughtful, meaningful discussion in the ERCOT stakeholder process where they will be cemented in Protocol.

I. COMMENTS ON PROPOSED §25.521

A. Subsection (a): Firm-load-shed protocols should be coordinated with related PURA requirements and vetted through the ERCOT stakeholder process.

Proposed subsection (a)(1) appropriately recognizes the directive in Public Utility Regulatory Act ("PURA") §39.170(a), but it requires each applicable utility to develop a curtailment protocol without establishing how those utility-specific protocols will interact with ERCOT operations or with other large-load curtailment requirements. PURA §§37.0561(e), 39.169(d), and 39.170 address related but distinct circumstances involving on-site backup generation, co-located load, emergency curtailment, and firm load shed. Uncoordinated implementation could create conflicting obligations, uncertain deployment priority, or duplicate treatment of the same megawatts.

TCPA recommends that the rule require ERCOT to establish a uniform operational framework through the protocol revision process. At a minimum, that framework should define notice and communications, measurement and verification, the relationship among statutory curtailment authorities, the order in which each authority may be used, and protections against duplicate compensation or double counting. Utility-specific protocols may address local implementation, but they should be consistent with – and not duplicative of – a common ERCOT framework reviewed by market participants and approved through established governance procedures.

B. Subsection (c): Eligibility safeguards should prevent payment for price-responsive or otherwise duplicative demand reductions.

TCPA supports the price-responsiveness and program-exclusivity requirements in proposed subsection (c). The implementing protocols should include sufficient verification procedures to ensure that participants continue to satisfy those requirements and that LLDMS does not compensate load reductions attributable to wholesale-price response, participation in another program, or ordinary business decisions.

TCPA notes that this is an inherent issue with providing a capacity payment for only one subset of the market in an energy-only market construct where the real-time energy price is otherwise expected to coordinate both supply and demand responses to market conditions. The administrative burden with avoiding conveyance of duplicative value for behavior that was already incentivized is a deadweight loss for market efficiency but still necessary. A better market design would provide the same market value to both supply and demand. That said, the LLDMS is required by statute, so the appropriate scope of implementation work is ensuring that it works best with (and causes the least harm to) the current market structure.

C. Subsections (d) and (e): Procurement and deployment should be event-specific, narrowly triggered, and sequenced after available market-based tools.

TCPA supports the "as needed" standard in proposed subsection (d). The rule should require an immediate, objective showing of need before ERCOT commits consumer funds: a credible short-term forecast of extreme weather creating a material risk of an Energy Emergency Alert level 3 ("EEA 3") firm load shed, with the quantity procured limited to a probabilistically modeled shortfall after accounting for available market services and other reliability tools.

Proposed subsection (e)(1) properly treats the statutory 24-hour requirement as notice that a participant may be deployed, rather than as an instruction to curtail 24 hours in advance. The rule should make that distinction explicit and require ERCOT to reassess conditions before issuing a deployment instruction. If the forecasted threat dissipates, ERCOT should cancel the contemplated deployment as soon as practicable. Obligation periods should be tied to a specific forecasted event and should not extend beyond the period reasonably necessary to address that event.

Deployment at the prospect of a potential EEA Level 1, before a credible threat of firm load shed, could risk replacing market response with an out-of-market action at precisely the time scarcity prices are intended to attract supply and reduce demand. TCPA recommends that subsection (e)(2) permit deployment only when ERCOT forecasts a material risk of EEA Level 3 firm load shed and after available energy-market, ancillary-service, and established reliability tools have been used or determined insufficient, but before leveraging unpaid large load curtailment provisions. This sequencing is consistent with the Legislature's broader direction that emergency curtailment of large loads should follow deployment of available market services and would protect the investment and retirement signals on which ERCOT's energy-only market depends.

D. Subsection (f): RDPA treatment requires additional safeguards.

TCPA supports proposed subsection (f)(2), but in order to ensure accurate price formation the rule should require ERCOT to reflect the full, actual load reduction attributable to an LLDMS action in the RDPA beginning when the participant starts its operational ramp-down, including any safe-shutdown ramp undertaken in response to an ERCOT deployment instruction. ERCOT also should design the notice process so that participants do not curtail merely upon receiving a notice of possible deployment. These details should be established and tested before the service becomes operational.

E. Subsection (h): Reporting should evaluate cost-effectiveness and market effects, not only operational performance.

The proposed after-action report is too limited to determine whether LLDMS achieved a net consumer or reliability benefit. In addition to the information listed in subsection (h), ERCOT should report: the forecast and objective trigger supporting procurement and deployment; the obligation period; availability payments; total procurement and settlement costs; verified load reduction by interval; nonperformance and clawbacks; the sequence of other market and reliability actions; the treatment and estimated effect of LLDMS in the RDPA and wholesale prices; and whether actual conditions would have resulted in firm load shed absent LLDMS. The report should be public to the maximum extent possible, with competitively sensitive information protected.

F. Subsection (i): Implementing protocols should proceed through normal ERCOT governance.

Proposed subsection (i) directs ERCOT to develop procedures, guides, technical requirements, protocols, and other standards in consultation with Commission Staff. Commission Staff consultation is appropriate, but it is not a substitute for transparent stakeholder review. The rule should expressly require any market-facing implementation provisions – including procurement timing, offer parameters, baselines, price-responsiveness testing, deployment sequencing, telemetry, settlement, RDPA treatment, and compliance – to be developed through the applicable ERCOT protocol revision process and approved by the ERCOT Board of Directors before LLDMS is implemented. TCPA also recommends review by the Wholesale

Market Subcommittee of the service's effectiveness and its effect on price formation after each procurement event and at least annually.

II. RESPONSES TO THE COMMISSION'S QUESTIONS

1. Should an available but undeployed large load receive a percentage of the market-clearing price, and if so, what payment is appropriate?

TCPA does not take a position on this issue at this time but looks forward to additional discussion of the topic.

2. What is an appropriate annual budget for LLDMS?

The proposed $54 million annual budget appears reasonable, but should not be expressed in rule. If retained, the figure should operate as a cap. Each procurement must remain supported by the risk assessment required by subsection (d)(2), and ERCOT should procure no more than the modeled need. The Commission should revisit and adjust the cap after actual participation, performance, cost, and market-impact data are available.

3. What cadence should ERCOT use to assess extreme weather, and how far in advance should ERCOT begin procurement?

ERCOT may use monthly probabilistic modeling to screen for elevated risk and weekly forecasts to prepare, and should begin an event-specific auction when a short-term forecast – generally within seven days – shows a credible and material risk of EEA Level 3 firm load shed. Additional details of the process should be developed through the ERCOT stakeholder process. The rule should not permit a monthly model result, standing alone, to support a month-long obligation or seasonal procurement.

4. Should ERCOT be allowed to deploy LLDMS for transmission emergencies?

PURA §39.170(b) requires the Commission direct ERCOT "to develop a reliability service to competitively procure demand reductions from large load customers with a demand of at least 75 megawatts to be ***deployed in the event of an anticipated emergency condition***," (emphasis added) as opposed to deployed in response to an emergency condition. Further, subsection (b)(2) directs the Commission to specify "when the service may be used with ***maintaining reliability during extreme weather events,***" (emphasis added) and the proposed service is designed around system-wide EEA conditions (which TCPA agrees are appropriately in-scope).

Transmission emergencies are often local, require locational solutions, and may present different notice, baseline, cost-allocation, and price-formation issues. TCPA does not oppose LLDMS utilization for transmission emergencies, but notes that procurement and deployment of LLDMS for transmission emergencies would require further elaboration in the ERCOT stakeholder process with clearly defined locational need, limits, settlement, and price treatment.

CONCLUSION

TCPA appreciates the Commission's incorporation of as-needed procurement and RDPA treatment into the proposed rule. With the additional protections described above, LLDMS can remain a narrowly tailored emergency tool that supports reliability without unnecessarily increasing consumer costs or weakening the market signals needed to attract and retain dispatchable generation. TCPA respectfully requests that the Commission revise proposed §25.521 consistent with these comments.

Dated: September 4, 2026

Respectfully submitted,

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EXECUTIVE SUMMARY OF TCPA'S COMMENTS

- TCPA supports procuring LLDMS only on an "as needed" basis and including LLDMS load reductions when ERCOT calculates RDPA adjustments.
- Procurement should be event-specific and based on an objective, near-term showing of a credible and material risk of EEA Level 3 firm load shed, with quantities limited to the modeled shortfall after available market services and other reliability tools are considered.
- ERCOT should deploy LLDMS only after available energy-market, ancillary-service, and established reliability tools have been used or found insufficient, and should reassess conditions before deployment and cancel the action if the forecasted threat dissipates.
- Eligibility, baseline, and verification requirements should ensure LLDMS does not compensate reductions caused by wholesale-price response, participation in another program, or ordinary business decisions.
- Price adjustments should reflect the full actual load reduction attributable to an LLDMS deployment beginning with any safe-shutdown ramp, while notice procedures should avoid inducing participants to curtail before an actual deployment instruction.
- Market-facing details should be developed through the applicable ERCOT protocol revision process. Related utility curtailment protocols should operate within a uniform ERCOT framework.
- After-action reporting should evaluate consumer costs, verified performance, market and price effects, and whether firm load shed would have occurred absent LLDMS.
- TCPA views the proposed $54 million annual budget as reasonable only as a cap tied to modeled need and subject to reassessment as actual data become available.
- Use of LLDMS for transmission emergencies would require additional stakeholder-developed rules.