



Filing Receipt

Filed Date - 2026-09-17 02:19:16 PM

Control Number - 59550

Item Number - 8

PUC PROJECT NO. 59550

QUINQUENNIAL REVIEW OF	§	PUBLIC UTILITY COMMISSION
SYSTEM-WIDE OFFER CAP	§	OF TEXAS
PROGRAMS UNDER 16 TAC §25.509(d)	§	
	§	

TCPA RESPONSES TO STAFF QUESTIONS FOR COMMENT

Texas Competitive Power Advocates (TCPA) appreciates the opportunity to provide comments to Commission Staff's questions for comment filed on August 20, 2026. TCPA represents fourteen companies in the ERCOT competitive market that are independent generation resource owners, independent power marketers, developers, or a combination of those. The generation assets in our companies' portfolios are primarily thermal dispatchable generation comprised of natural gas, nuclear, coal, and some energy storage resources. Our members own approximately 55,000 megawatts (MW) of generation capacity in ERCOT and represent approximately half of the MWs that have either executed loans or are under due diligence review in the Texas Energy Fund (TEF). In addition, several TCPA member companies are also building new thermal generation resources in ERCOT through conventional market financing, outside of the TEF.

Following Winter Storm Uri, numerous changes were made to the ERCOT market – by both the Public Utility Commission of Texas (PUCT) and the Legislature – and include a reduction in the System-Wide Offer Cap (SWOC), creation and implementation of the Emergency Pricing Program (EPP), moving to conservative operations in which operating reserves are procured (or often, committed via Reliability Unit Commitment (RUC) instruction) to avoid a watch rather than to avoid an Energy Emergency Alert (EEA) 3 load-shed, creation of the ERCOT Contingency Reserve Service (ECRS), creation and ongoing implementation of Dispatchable Reliability Reserve Service (DRRS) and firming requirements, implementation of Real-Time Co-optimization plus Batteries (RTC+B) among changes regarding load forecasting, interconnection standards, transmission cost allocation, and changes to Ancillary Services (AS) Methodology as well as the adoption of a reliability standard for the ERCOT region. Collectively, many of these changes have had the effect of reducing revenues to support thermal dispatchable generation in the market and increased the use of out-of-market actions before allowing the competitive market an

opportunity to respond and meet the ERCOT demand. As the inaugural triennial reliability assessment is underway, review of the scarcity pricing paradigm in ERCOT is timely and important. While TCPA appreciates the opportunity to provide feedback to the questions posed by Staff and looks forward to participating in workshops and stakeholder meetings on these critical market components in the future, absent a pressing operational rationale, TCPA urges the Commission to take a holistic approach to these evaluations and defer action until the Triennial Reliability Assessment is released. TCPA recommends Staff conduct a workshop following the receipt of stakeholder comments and prior to release of the reliability assessment to provide valuable input from market participants on potential changes that may be provided to address any number of possible outcomes from the reliability assessment and provide the Commission a more robust array of options than those that may be presented by ERCOT and the Independent Market Monitor (IMM) without the experiential insights market participants bring to the table.

RESPONSE TO STAFF QUESTIONS

1. SCARCITY PRICING MECHANISM

1.a. The current Low System-Wide Offer Cap (LCAP) is \$2,000 per MWh for energy offers and \$2,000 per MW per hour for ancillary service offers. The current High System-Wide Offer Cap (HCAP) is \$5,000 per MWh for energy offers and \$5,000 per MW per hour for ancillary service offers. Do either of these values need to be updated? Why?

TCPA RESPONSE: The Commission should eliminate the LCAP. Reducing the system-wide offer cap after the peaker net margin (PNM) threshold is reached undermines scarcity pricing when strong incentives for resource availability, performance, demand response, and investment remain necessary. The rule also should be updated following RTC+B implementation to reflect the distinction between the Real-Time Market (RTM) offer cap and the overall price cap. Although TCPA does not recommend a specific HCAP value in this proceeding, TCPA supports evaluating a higher SWOC and recalibrated Ancillary Service Demand Curves (ASDCs) as part of a holistic review of the SWOC, ASDCs, Value of Lost Load (VOLL), LCAP, and Emergency Pricing Program (EPP).

The EPP, which is statutorily required to trigger after twelve hours at the HCAP¹, further demonstrates that the LCAP is unnecessary. If the Commission eliminates reliance on PNM, as TCPA recommends in response to Staff Question 1.c.i, the LCAP would serve no independent purpose² and should be removed.

The most recent VOLL analysis indicates that customers' VOLL materially exceeds the current \$5,000/MWh HCAP with an ERCOT-wide VOLL of \$35,685/MWh.³ Although TCPA does not recommend a specific HCAP value here, proper market design requires price signals that align with VOLL when scarcity conditions approach, particularly as demand response is increasingly relied upon to balance supply and demand in the near-term. Without a cap that better aligns with customer VOLL, the market lacks an effective signal for load reduction when the system needs it most. TCPA therefore recommends a comprehensive, data-supported analysis and consideration of a scarcity pricing framework that more closely aligns with VOLL when scarcity conditions approach and is sufficient to send market signals to incentivize both generators and demand response.

In the current market design, ASDCs may provide more meaningful investment signals than offer caps alone. Because the market must signal financial scarcity without waiting for politically or operationally unacceptable physical scarcity, the ASDCs should be updated to reflect the need for dispatchable investment. Since 2021, the market has rarely reached HCAP, underscoring the importance of ensuring that ASDCs, not solely caps, send appropriate scarcity and investment signals. Post-Uri reforms already provide consumer protections against prolonged high-price events.⁴

TCPA recognizes that an increased HCAP may be warranted but also recognizes the practical and political risks of setting HCAP at actual VOLL. A substantial immediate increase would not be prudent. The approach reflected in the 2025 Aurora DRRS analysis provides useful context for anchoring scarcity pricing to VOLL while recognizing the risks to both generation and

¹ Public Utility Regulatory Act (PURA) §39.160, Enacted 87th Regular Legislative Session, 2021.

² While the current rule sets the Emergency Offer Cap equal to the LCAP, the value of the Emergency Offer Cap could be established independently of any reference to the LCAP. *See* 16 Tex. Admin. Code (TAC) § 25.509(c)(2).

³ PUCT Project 55837, Value of Lost Load Final Report, August 22, 2024, at 3.

⁴ PURA §39.160.

load.⁵ On slide 14 of the presentation, Aurora compares different approaches, one of which recommends a longer ORDC curve that increases scarcity value in line with a VOLL of \$35,000. The recommendation includes maintaining a \$5,000/MWh cap while explaining that the change to the curve would nearly double the value of the ORDC. TCPA directionally supports increasing HCAP but cautions that an excessive cap could put substantial value at risk in the market during Black Swan events, such as Winter Storm Uri.

Accordingly, if the Commission modifies HCAP, TCPA generally recommends considering a phased-in approach to avoid market disruption, consistent with prior Commission practice.

1.b. With the implementation of RTC+B, there is a difference between the day-ahead market (DAM) and real-time market (RTM) system offer caps for both energy and ancillary services. The DAM offer cap is \$5,000 per MWh per hour, and the RTM offer cap is \$2,000/MWh. Should this difference continue? Why?

TCPA RESPONSE: The Commission should reevaluate the current Day-Ahead Market (DAM) and Real-Time Market (RTM) offer-cap structure in light of RTC+B. Any alignment between the DAM and RTM designs should preserve a meaningful spread between the energy offer cap and the overall price cap in the RTM so Ancillary Service Demand Curves (ASDCs) can continue to set scarcity prices when the system is short while also ensuring that energy storage resources can reflect legitimate opportunity costs. As one option, the Commission should evaluate setting the energy offer cap at approximately 50 percent of the overall price cap. That approach would better allow storage resources to reflect their operational preferences between being released for energy or retained to provide ancillary services. The DAM, however, must allow willing buyers and willing sellers the full potential RTM pricing spectrum against which to hedge.

1.c.i. Should the peaker net margin calculation be modified? Why?

TCPA RESPONSE: TCPA recommends eliminating reliance on the PNM threshold as a trigger for the LCAP, given TCPA's recommendation to eliminate the LCAP (as detailed above).

⁵ PUCT Project 55797, Dispatchable Reliability Reserve Service (DRRS), ERCOT Update Regarding New DRRS NPRRs and Aurora Report, Attachment B.

However, TCPA views the PNM as a potentially useful reference point to maintain, but only as an admittedly oversimplified and imperfect indicator. The Commission may want to consider updates to make the PNM metric more realistic, but there are trade-offs between the administrative ease of the PNM's simple framing and the complexity of a more involved but realistic calculation.

If the Commission retains the PNM-triggered LCAP under the SPM, however, the Commission should at a minimum update the PNM threshold to reflect an actual data-supported current Cost of New Entry (CONE). The current CONE value was not supported by the ERCOT-region CONE study and instead reflects a compromise value that is materially below the cost of building new generation in ERCOT. The 2024 Brattle CONE Study prepared for ERCOT and the Commission recommended aeroderivative combustion turbines as the reference technology “on expectations of what is most likely to be built by developers in the ERCOT Region”⁶ with a CONE value of \$293/kW-year.⁷ PUCT Staff instead recommended a Frame Combustion Turbine CONE value of \$162/kW-year rather than the technology recommended by Brattle and its expert vendor.⁸ At its July 11, 2024 Open Meeting, the Commission considered whether aeroderivative units then being developed were refurbished rather than new and recognized the need to revisit the appropriate CONE reference technology after experience with the Texas Energy Fund (TEF), including the resources ultimately bid into and built through that program. At the July 25, 2024 Open Meeting, the Commission adopted Staff’s revised \$140/kW-year recommendation, based on a 20-year life for a Frame Combustion Turbine, with the expectation that CONE would be updated in 2026 in conjunction with the reliability assessment. Commissioner Cobos also noted the relationship between CONE and PNM and whether PNM can serve as a useful indicator of the need for or lack thereof for new investment or maintenance of existing generation. Because the adopted CONE value was for planning purposes only and does not reflect the actual cost to enter the market, and because PNM is an oversimplified and unrealistic representation of a peaker’s profitability, TCPA believes that CONE is not a reliable metric in its current form and that the CONE-based PNM threshold for triggering the LCAP is similarly unreliable.

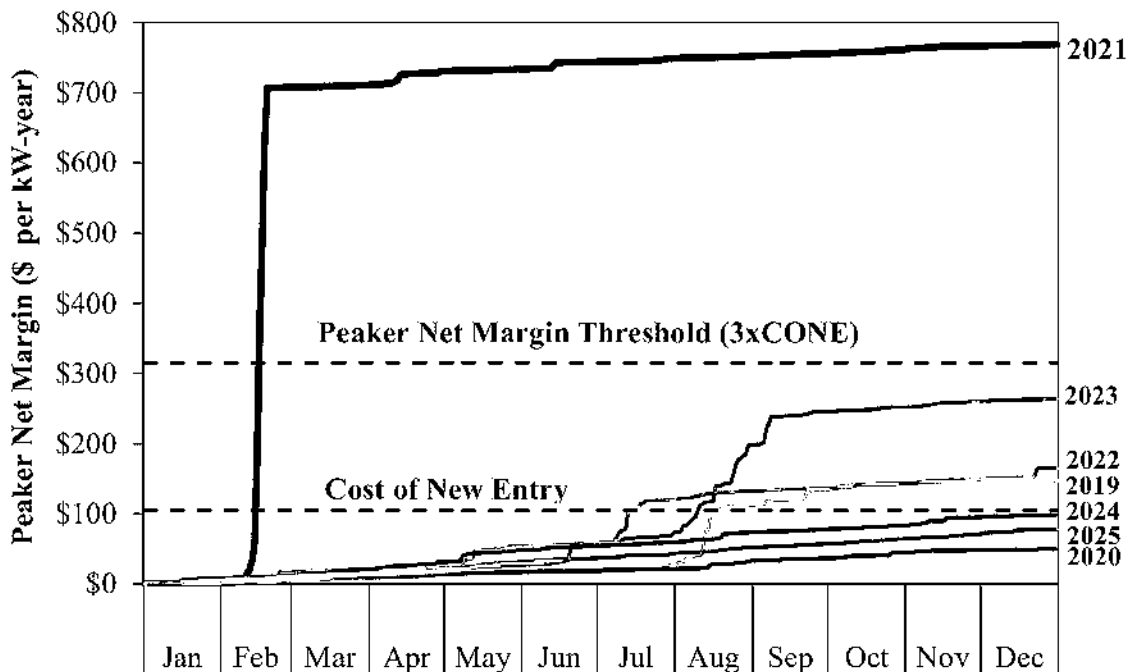
⁶ PUCT Project 54584, Reliability Standard for the ERCOT Market, item 64, Cost of New Entry Status Update, filed June 6, 2024 at 2.

⁷ *Id.*

⁸ PUCT Project 54584, Reliability Standard for the ERCOT Market, item 69, Staff Memo on CONE, filed July 3, 2024 at 2.

The Independent Market Monitor’s 2025 State of the Market Report underscores this concern by explaining that ERCOT’s PNM calculation differs from a true net revenue calculation, because it relies on Protocol-specified inputs rather than dynamic values that reflect actual market conditions. The report highlights that the value for CONE used to calculate the PNM threshold remains the legacy value of \$105/kW-year, not the CONE adopted in 2024 for planning purposes, and provides the graph below to illustrate the volatility of revenues in the ERCOT market.

Figure 57: Peaker Net Margin
2019-2025



Although TCPA recommends eliminating the PNM-triggered LCAP as an operative market mechanism, the Commission may find limited value in retaining PNM solely as an informational tracking metric. In that limited role, PNM can illustrate the volatility of ERCOT market revenues and the difficulty of relying on scarcity-driven returns to support generation investment. Recent PNM results reflect a “feast-or-famine” revenue pattern, with high revenues in isolated years and materially lower revenues in most others. That volatility reinforces TCPA’s position that PNM should not be used to trigger market-design consequences, but may be useful as one data point for monitoring whether ERCOT market revenues are directionally sufficient to signal support for retention of existing dispatchable generation and investment in new resources.

1.c.ii. Should the LCAP trigger threshold be modified? Why?

TCPA RESPONSE: Rather than modifying the LCAP trigger threshold, the Commission should eliminate the LCAP. Reducing the system-wide offer cap after the PNM/CONE threshold is reached undermines scarcity pricing at the point when the market should continue to provide strong incentives for resource availability, performance, demand response, and investment.

1.c.iii. Should reimbursement for operating losses when the LCAP is in effect be modified? Why?

TCPA RESPONSE: See response above.

2. EMERGENCY PRICING PROGRAM

2.a.i. Should the activation trigger for the EPP be modified? Why?

TCPA RESPONSE: The current ERCOT Protocols governing the Emergency Pricing Program (EPP) provide a clear activation and exit framework. Under ERCOT Nodal Protocol § 4.4.11, the EPP begins in the next operating hour in which ERCOT can implement the change after the Real-Time Market price plus the Real-Time Reliability Deployment Price Adder (RDPA) equals or exceeds the HCAP for 12 hours within a rolling 24-hour period. The EPP remains in effect until the later of 24 hours after the Emergency Offer Cap (ECAP) is initially set or 24 hours after ERCOT exits Energy Emergency Alert (EEA) conditions. This framework provides market participants with defined entry and exit points for ECAP and is consistent with TCPA's prior recommendation for clear, administrable emergency pricing rules.⁹ TCPA does not recommend modifying the activation trigger at this time.

2.a.ii. Should the Emergency Offer Cap be modified? Why?

TCPA RESPONSE: If LCAP is eliminated, the ECAP should be defined independently rather than through reference to LCAP.

⁹ PUCT Project 54585, Emergency Pricing Program, Texas Competitive Power Advocates (TCPA) on PUCT Staff Questions, at 4, Filed August 15, 2023.

2.a.iii. Should the duration of the EPP be modified? Why?

TCPA RESPONSE: See response to 2.a.i.

2.a.iv. Should the market notice specifications be modified? Why?

TCPA RESPONSE: Because the Emergency Pricing Program (EPP) has not been triggered since implementation, TCPA does not have operational experience upon which to recommend specific changes to the market notice specifications at this time. However, given significant changes to ERCOT market since its adoption, TCPA recommends that the Technical Advisory Committee (TAC) provide an opportunity to review the EPP notice process and clarify how market notices would be issued under current market conditions. A refresher on the applicable process would benefit all market participants and help ensure that, if the EPP is triggered, notice obligations are clearly understood and implemented consistently.

2.a.v. Should reimbursement for costs that exceed the Emergency Offer Cap be modified? Why?

TCPA RESPONSE: The reimbursement mechanism for costs above the Emergency Offer Cap (ECAP) should not be limited strictly to marginal costs. Consistent with TCPA's August 15, 2023 comments in Project No. 54585, the governing statute provides for recovery of *reasonable and verifiable* costs. In extended emergency conditions, resources that continue operating may incur broader operating costs and risks, including costs associated with purchasing and delivering fuel and other materials necessary to produce electricity, even where those costs may not be characterized as strictly marginal. Because disputes have arisen regarding which costs are reimbursable and whether they are reasonable and verifiable, TCPA recommends that TAC include this issue in a review of the EPP to provide greater clarity and consistency for future emergency events.

2.a.vi. Should the reporting requirements after the EPP has been activated be modified? Why?

TCPA RESPONSE: Because the EPP has not been activated since implementation, TCPA does not have operational reporting experience on which to recommend specific modifications at this time. TCPA therefore does not recommend immediate changes to the reporting requirements. However, TCPA recommends that TAC review both the market notice specifications and post-activation reporting requirements as part of a broader EPP discussion to determine whether the current framework remains clear, administrable, and sufficient under current market conditions.

3. ANCILLARY SERVICE DEMAND CURVES

3. How should the Ancillary Service Demand Curves (ASDCs) be modified to better reflect scarcity and improve economic efficiency?

TCPA RESPONSE: The Commission should evaluate ASDCs in conjunction with ERCOT's AS methodology and procurement targets to ensure an integrated framework that produces the market signals needed to procure the operational reserves ERCOT identifies as necessary. If ERCOT determines that reserves with specific characteristics are required to meet reliability objectives, the AS methodology, qualification requirements, and ASDCs should be calibrated to qualify, value, and procure those reserves through competitive market outcomes. This framework should address ERCOT's near-term operational needs and support its long-term obligation to satisfy the reliability standard established under PURA § 39.159, while accounting for changes to non-frequency-responsive Ancillary Services under RTC+B and the evolving resource and load mix.

The Commission's recognition that the 2019 Chairman Walker Memo on ASDCs no longer reflects the current market structure is an important step toward developing ASDCs that support reliability through competitive market mechanisms. Potential modifications should include wider curves that recognize the continuing, though diminishing, value of reserves beyond the AS Plan; higher ASDC floors at the AS Plan level so competitive forces have sufficient room to produce prices aligned with operational needs; and alternative curve structures that provide financial scarcity signals before physical scarcity occurs. The objective is not to prescribe a single numerical outcome, but to identify combinations of reserve quantities, curve shapes, floors, VOLL, and offer-cap parameters that can satisfy ERCOT's short-term operational and long-term planning needs.

The Commission should also evaluate whether reserve procurement and pricing

appropriately recognize differences in duration and operational capability. That evaluation should account for ERCOT's operational sensitivities when Physical Responsive Capability (PRC) can decline rapidly, distinguish among services rather than impose a generic duration requirement, and consider where longer-duration requirements are warranted, including for ECRS or Non-Spin, and how duration should be measured to appropriately signal energy scarcity.

A principal objective should be to ensure that ASDCs procure ERCOT's desired AS Plan through competitive market outcomes rather than out-of-market actions such as Reliability Unit Commitment (RUC). Competitive procurement and single clearing prices for the same service should remain the primary means of obtaining needed reliability attributes. Transparent market prices should reward resources that provide the required capability and reduce reliance on administratively differentiated payments and out-of-market actions. Back-casting, forward-looking scenarios, and sensitivity analysis can inform the Commission's evaluation, but the analysis should remain decision-useful and should not become an intractable exercise focused solely on modeled cost outcomes. The Commission should give appropriate weight to the reliability objectives being pursued and whether the proposed mechanisms effectively create incentives for market participants to provide the needed capability. The review should proceed on a defined decision schedule without delaying action where the policy direction is otherwise supported.

4. CREDIT RISK

- 4. What credit risk concerns should the Commission consider if either the SPM or the EPP were to be adjusted, and how should existing credit obligations be recalibrated in response?*

TCPA RESPONSE: TCPA does not recommend changes to existing credit obligations at this time. ERCOT's credit framework was previously revised to better align collateral requirements with forward prices and market exposure, and that structure remains generally consistent with the current market design.

Market participants should remain responsible for managing their own market exposure. If a participant elects not to hedge or otherwise manage risk, the resulting exposure should remain with that market participant rather than be shifted through changes to the credit framework.

Accordingly, the core principle that credit obligations should be tied to actual market risk should not change.

TCPA recognizes, however, that discrete credit-related issues may warrant further stakeholder discussion. For example, congestion hedging tools may be over-collateralized, and the Commission may wish to evaluate whether targeted refinements are appropriate in those areas. Any such review should preserve the broader policy objective of aligning credit requirements with the participant's market exposure and avoiding changes that would increase liquidity burdens without a corresponding reduction in default risk.

5. OTHER TOPICS

5. Are there any other topics the Commission should consider as part of this evaluation?

TCPA RESPONSE: Integrated Review of Scarcity-Pricing Mechanisms. The Commission should evaluate offer caps, ASDCs, VOLL, LCAP, the EPP, and related scarcity-pricing mechanisms as an integrated framework rather than isolated design elements. Multiple combinations may be capable of satisfying ERCOT's short-term operational and long-term planning needs, and the Commission should compare the relative advantages and disadvantages of those approaches. Potential options include eliminating LCAP while retaining the existing VOLL framework; eliminating LCAP while evaluating a higher system-wide offer cap with recalibrated ASDCs; and pairing wider ASDC curves or higher floors at the AS Plan level with targeted reserve-quantity changes.

Durable ASDC Methodology. ERCOT should also establish a durable methodology for updating reserve requirements and ASDCs based on objective reliability needs. That process should reduce recurring stakeholder disputes and provide greater predictability regarding how reliability objectives translate into market outcomes. ASDCs should be developed alongside the AS methodology or parameterized in Protocol or Commission rule so market participants can readily derive their shape and assess whether they are likely to meet the stated objectives.

Risk Credits and Reserve Availability. ERCOT should eliminate risk credits from the AS methodology and should not treat historical headroom as assurance of future reserve availability. ERCOT should define and price the reserve capability and headroom it needs rather than reducing

the AS Plan based on historical observations of unawarded capacity, because doing so can weaken the scarcity signal intended to procure the required capability.

Qualified real-time headroom should be counted based on the capability actually available from qualified resources, while recognizing that intermittent energy output may affect whether durable qualified resources remain available to provide reserves. A transparent methodology should distinguish ERCOT's defined reserve requirement from historical observations of headroom and explain how qualified real-time capability is counted in ASDC pricing. Finally, the Commission should ensure that this review is supported by timely, decision-useful analysis and proceeds on a defined decision schedule.

CONCLUSION

TCPA appreciates the opportunity to comment on these important issues. TCPA urges the Commission to evaluate scarcity pricing, offer caps, ASDCs, PNM, LCAP, and the EPP as an integrated market-design framework that supports reliability, preserves competitive market outcomes, and provides durable investment signals for dispatchable generation. TCPA looks forward to continuing to work with Staff, the Commission, ERCOT, and stakeholders to ensure any reforms are administrable, evidence-based, and aligned with the State's reliability and market-policy objectives.

Submitted: September 17, 2026

Respectfully submitted,

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

Michele Richmond
President & CEO
Texas Competitive Power Advocates (TCPA)
(512) 653-7447
Michele@competitivepower.org

PUC PROJECT NO. 59550

QUINQUENNIAL REVIEW OF	§	PUBLIC UTILITY COMMISSION
SYSTEM-WIDE OFFER CAP	§	OF TEXAS
PROGRAMS UNDER 16 TAC §25.509(d)	§	
	§	

EXECUTIVE SUMMARY OF TCPA RESPONSE TO STAFF QUESTIONS

TCPA recommends that the Commission review ERCOT's scarcity-pricing mechanisms as an integrated market-design framework and, absent a pressing operational need, defer final action until the Triennial Reliability Assessment is available. The review should be informed by a Staff workshop and stakeholder input so that reforms reflect operational experience, support reliability, preserve competitive outcomes, and provide durable incentives for dispatchable generation and demand response.

1. **Eliminate the LCAP and its PNM trigger.** Reducing the offer cap after the PNM threshold is reached weakens scarcity signals when resource availability, performance, demand response, and investment remain most important. PNM may be retained only as an informational metric.
2. **Reevaluate offer-cap design following RTC+B.** The Commission should preserve a meaningful spread between the energy offer cap and the overall price cap so ASDCs can produce scarcity pricing and storage resources can reflect legitimate opportunity costs. Any HCAP increase should be supported by data, considered with VOLL and ASDC reforms, and phased in to avoid market disruption.
3. **Retain the current EPP activation and duration framework for now.** If LCAP is eliminated, ECAP should be defined independently. TAC should review notice, reporting, and reimbursement provisions, including recovery of reasonable and verifiable costs that may extend beyond strictly marginal costs.
4. **Modernize ASDCs and reserve procurement together.** Wider curves, higher floors at the AS Plan level, service-specific duration requirements, and transparent valuation of qualified capability should be evaluated to create financial scarcity signals before physical scarcity and reduce reliance on RUC and other out-of-market actions.
5. **Establish a durable, transparent methodology.** ERCOT should link reserve requirements and ASDC parameters to objective reliability needs, and eliminate risk credits from the AS methodology, avoiding treating historical headroom as assured future reserve availability.

6. **Maintain the core credit framework.** Credit obligations should remain tied to actual market exposure, with market participants responsible for managing their own risks. Any changes should be targeted, such as evaluating possible over-collateralization of congestion hedging tools, and should not impose unnecessary liquidity burdens.