



Item 5: TAC Report regarding R&M Committee Charter Revision Requests Recommended for Board Approval

Caitlin Smith

2024 Technical Advisory Committee (TAC)
Chair

Reliability and Markets Committee Meeting

ERCOT Public

December 2, 2024

Committee Request

Why this is being presented today:

NPRR1247 was considered at the November 20, 2024 TAC Meeting.

This is the resulting Technical Advisory Committee (TAC) recommendation on the following Revision Requests that were recommended by TAC for Board approval, for which the R&M Committee is expected to vote on a recommendation to the Board:

- NPRR1247, Incorporation of Congestion Cost Savings Test in Economic Evaluation of Transmission Projects – URGENT
 - Recommended for approval with 3 opposing votes

NPRR1247, Incorporation of Congestion Cost Savings Test in Economic Evaluation of Transmission Projects – URGENT

Revision Description	<p>This NPRR incorporates the consumer energy cost reduction test as the congestion cost savings test in economic project evaluation to address recent amendments by the PUCT to 16 Texas Administrative Code § 25.101 —specifically adding the requirements in § 25.101(b)(3)(A)(i). Consistent with the PUCT’s rule, this NPRR also preserves the production cost savings test as another standalone means to establish economic need for a transmission project.</p> <p>This NPRR also removes obsolete language regarding transmission projects’ benefits evaluation in paragraph (6) of Section 3.11.2, Planning Criteria.</p>
Sponsor	ERCOT
Reason for Revision	Regulatory Requirements
Justification of Reason for Revision and Market Impacts	<p>As required by 16 TAC § 25.101(b)(3)(A)(i), as amended in PUCT Project No. 53403, ERCOT, in consultation with PUCT Staff, must develop a congestion cost savings test to be used in economic project evaluation. ERCOT retained Energy + Environmental Economics, Inc. (E3) to identify a set of viable options and provide recommendations of the most suitable congestion cost savings test based on the ERCOT market structure. E3 presented its work at the September 2023 Planning Working Group (PLWG) meeting and recommended system-wide energy cost reduction (referred to in E3’s analysis as a “System-Wide Gross Load Cost” test) as the most suitable congestion cost savings test for the ERCOT Region. ERCOT worked with PUCT Staff to review the E3 recommendation, considered stakeholder feedback, and agreed with E3’s recommendation. This NPRR incorporates the recommended congestion cost savings test in ERCOT’s economic project evaluation.</p>
ERCOT Impact / Effective Date	Annual Recurring Operations and Maintenance (O&M) Between \$360k and \$440k (2 FTEs) / The first of the month following Public Utility Commission of Texas (PUCT) approval
ERCOT Market Impact Statement	ERCOT Staff has reviewed NPRR1247 and believes that it provides a positive market impact through regulatory requirements by making the consumer energy cost reduction test the congestion cost savings test in economic project evaluation in response to recent amendments by the PUCT to 16 Texas Administrative Code § 25.101.
TAC Vote	On 11/20/24, TAC voted to recommend approval of NPRR1247 as recommended by PRS in the 11/14/24 PRS Report. There were three opposing votes from the Independent Generator (2) (Calpine, Luminant) and Independent Power Marketer (IPM) (SENA) Market Segments; and one abstention from the Independent Retail Electric Provider (IREP) (Reliant) Market Segment.

NPRR1247, Incorporation of Congestion Cost Savings Test in Economic Evaluation of Transmission Projects – URGENT

Explanation of Opposing TAC Votes	<p>Independent Generator/Calpine – Explanation requested but not provided</p> <p>Independent Generator/Luminant – Luminant submitted written comments on October 28, 2024 and November 15, 2024 that reflect Luminant’s concerns with NPRR1247. Luminant believes that the selected Gross Load Cost test methodology overstates the actual net benefits associated with the test, and that there are important test parameters that are left to white papers that operate outside of the Protocols and therefore outside of the stakeholder review process that culminates with ERCOT Board and ultimately PUCT endorsement. The result of this imbalance will be trading off hedgeable congestion costs (the costs of which are returned to loads) for unhedgeable transmission costs.</p> <p>IPM/Shell – Shell Energy North America (Shell Energy) supports making prudent investment in transmission projects that are needed to facilitate the build out of substantiated loads. We voted in opposition largely based on our concerns with the lack of transparency and control over the methodology for the incorporation of fictitious generation on the ERCOT system to solve power flow issues with the projected load growth. The methodology used by ERCOT to determine where this generation will be located on the system will have a significant impact on the modeled power flows and the congestion patterns that are used for project evaluation under the congestion cost savings test. This could create congestion cost savings test results that do not produce outcomes consistent with the intent of the methodology. This also raises concerns with the potential for unintended consequences of ERCOT reports containing these congestion patterns impacting the value and certainty of hedging instruments in the forward market. Furthermore, we believe that there is benefit in additional discussion to determine how the gross load cost test can be modified to better reflect the actual net benefits.</p>
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