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| NPRR Number | [1247](https://www.ercot.com/mktrules/issues/NPRR1247) | NPRR Title | Incorporation of Congestion Cost Savings Test in Economic Evaluation of Transmission Projects |
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| Date | | November 26, 2024 | |
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| Submitter’s Information | | | |
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| Market Segment | | Not Applicable | |

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| Comments |

ERCOT submits these comments for consideration by the Reliability and Markets Committee (R&M Committee) and ERCOT Board of Directors (ERCOT Board). These comments include background information leading to the development of Nodal Protocols Revision Request (NPRR) 1247, ERCOT’s position on NPRR1247, and a summary of stakeholder comments and ERCOT responses.

**Background information**:

ERCOT submitted NPRR1247 to incorporate the congestion cost savings test to be used in economic project evaluation in consultation with Public Utility Commission of Texas (PUCT) Staff as required by 16 Texas Administrative Code § 25.101(b)(3)(A)(i), which was amended in PUCT Project No. 53403 to implement Senate Bill (SB) 1281 (87th Legislature). ERCOT retained Energy + Environmental Economics, Inc. (E3) to identify a set of 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 consumer energy cost reduction (referred to in E3’s analysis as a “System-Wide Gross Load Cost (GLC)” 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.

**ERCOT’s position:**

ERCOT Staff recommends that the R&M Committee and ERCOT Board recommend approval of NPRR1247 because:

1. It complies with statutory and regulatory requirement to add a congestion cost savings test to economic transmission project evaluation;
2. It utilizes the consumer energy cost reduction (i.e., System-Wide GLC) test previously discussed by stakeholders and recommended by E3;
3. It includes an appropriate level of detail in Protocols consistent with preexisting economic criteria (production cost savings test); and
4. Although additional revisions to wholistically address the transmission planning process may be merited, such revisions have impacts beyond the congestion cost savings test and are more appropriately addressed in a subsequent Revision Request that ERCOT has committed to bring in early 2025.

The merits of the E3-recommended test are also summarized below based on the E3 report, [“Congestion Cost Savings Test for Economic Evaluation of ERCOT Transmission Projects”](https://www.ercot.com/files/docs/2024/05/23/E3_ERCOT_Congestion_Cost_Savings_Test_for_Economic_Transmission_Report_March_2024.pdf):

1. “The System-Wide GLC Test directly estimates the impact of new transmission on the energy costs for ERCOT consumers by calculating how transmission changes the total payment for energy consumption incurred by ERCOT load customers.”
2. “This approach has a clear link to ERCOT customer savings and a sound fit with key features of the ERCOT market.”
3. “The approach is able to positively identify the potential benefit of reducing congestion in the ERCOT system, and it is straightforward to implement using ERCOT’s existing study approach and software.”
4. “It also provides a complementary perspective that is distinct from the Production Cost Savings Test, which ERCOT will also continue to use for transmission benefit evaluation in parallel with the consumer benefits test.”

**Stakeholder comments summary and ERCOT responses:**

Since NPRR1247 was posted, it had been discussed with stakeholders at the August 2024, September 2024, and October 2024 PLWG meetings, an additional Special PLWG meeting in October 2024 specific to NPRR1247, and the November 2024 Reliability and Operations Subcommittee (ROS), Protocol Revision Subcommittee (PRS), and Technical Advisory Committee (TAC) meetings. Seven sets of written comments from stakeholders were submitted throughout the process and those comments together with the five sets of response comments from ERCOT were discussed at those stakeholder meetings.

Significant stakeholder feedback was incorporated into the revised NPRR1247, including:

1. Specifying that economic benefit simulation projections are for the planning horizon established for the Regional Transmission Plan;
2. Clarifying that a comparison of simulations with and without the project are used to perform the test;
3. Making explicit that ERCOT will publish upon stakeholder request additional modeling inputs, assumptions, and outputs utilized in the test if such information is not confidential or infeasibly voluminous;
4. Reorganization of Section 3.11.2, Planning Criteria, and various language clarifications; and
5. A compromise was also reached to refer to white papers providing further details of the test in NPRR1247’s preamble Revision Description rather than in the Protocol language itself. This was for consistency with best practice not to refer to white papers in the Protocols.

Stakeholders also agreed to defer certain proposed edits with broader planning impacts to subsequent Revision Requests. This includes a wholistic review of Planning Guide Section 6.9, Addition of Proposed Generation to the Planning Models, to address concerns raised by Reliant Energy Retail Services LLC (Reliant) in their 10/18/24 comments.

For these reasons, ERCOT respectfully urges the R&M Committee and ERCOT Board to recommend approval of NPRR1247 with the language as proposed in the 11/11/24 ERCOT comments.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None