

# Item 8: Update on CPS Energy Braunig Unit 3 RMR Agreement and Life Cycle Power Mobile Generation Solution as Alternative to Braunig Units 1 and 2

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Board of Directors Meeting

ERCOT Public

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# Update on the Retirement of CPS Energy Braunig Units 1 – 3

- **Purpose:**
  - To provide the Board of Directors (Board) with updates on:
    - Budget increases for Reliability Must-Run (RMR) Service for Braunig Units 1 - 3
    - RMR Agreement status for Braunig Unit 3
    - Regarding Braunig Units 1 and 2:
      - Request for Proposal (RFP) status for Must-Run Alternatives (MRAs) to the Life Cycle Power (LCP) mobile generation solution
      - Status of LCP mobile generation solution
- **Voting Items / Requests**
  - No action is required of the Board; for discussion only

## Key Takeaways

- CPS Energy has submitted updated budgets for Braunig Units 1-3, reflecting cost increases.
- These costs are still lower than the value of the anticipated ERCOT-wide load-shed necessary to resolve the anticipated overloads of transmission lines.
- ERCOT's RFP did not result in any valid offers.
- Discussions continue with LCP on alternative mobile generation solution.

## Background – December 2024 Board Decision

- On December 3, 2024, Board approved RMR Service for Braunig Unit 3 and deferred decisions for Braunig Units 1 and 2.
- The Board’s decision was supported by the following:
  - All three Braunig units are needed to mitigate local and potential system-wide load-shedding projected to occur in 2025 and 2026 if the units retire;
  - Contracting for RMR Service is estimated to cost less than the value of the potential system-wide load shed projected to occur if the units retire;
  - ERCOT received no eligible offers in response to its July 2024 RFP for MRAs to the Braunig units;
  - ERCOT identified another option (LCP mobile generation solution) to address the reliability risk presented by the retirement of Units 1 and 2 that might be more cost-effective and reliable than committing those units;
  - A decision whether to commit Braunig Units 1 and 2 could be made at a later date because the outage and inspection of those units would occur after the outage and inspection of Braunig Unit 3, which will need to begin in early March 2025.

## Update: Significant Budget Changes for Braunig Units 1 – 3

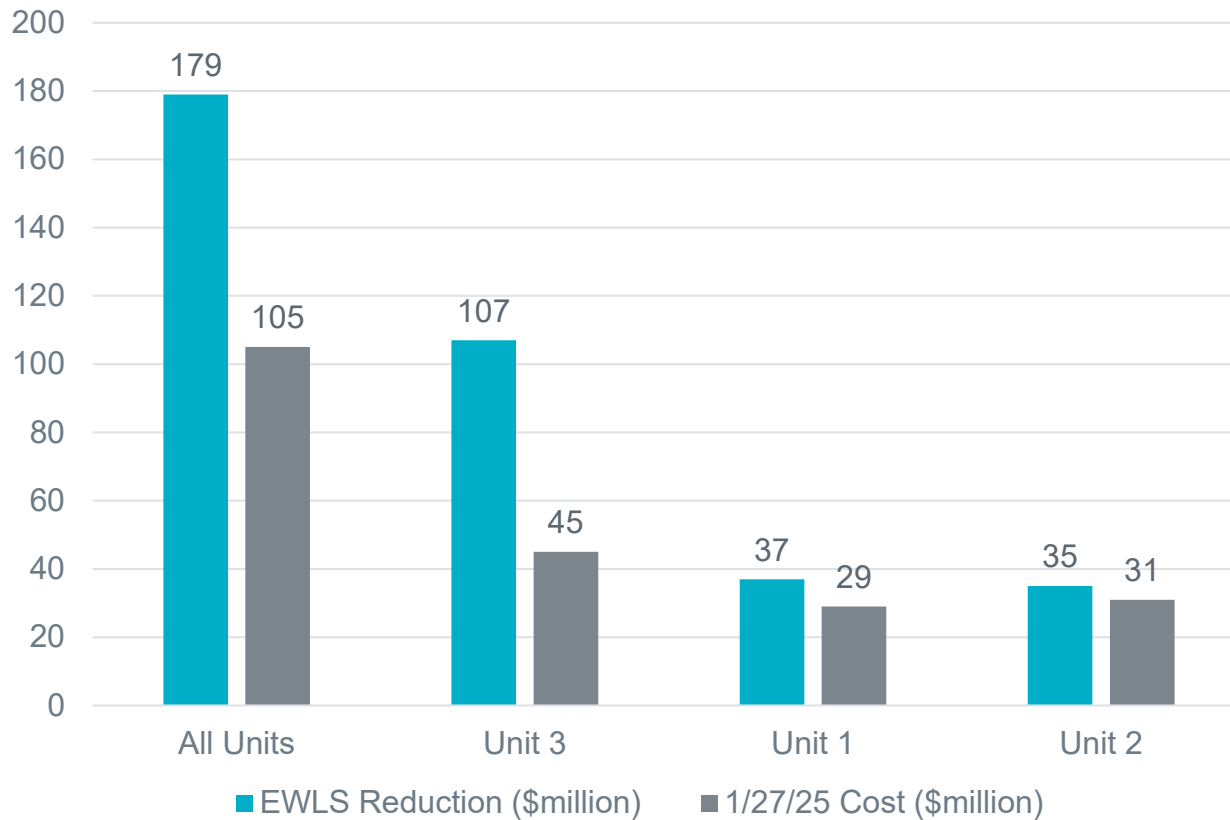
CPS Budget Submission	12/3/2024	1/27/2025	Difference
Unit 1	\$24M	\$26M	\$2M
Unit 2	\$27M	\$28M	\$1M
Unit 3	\$31M	\$39M	\$8M
<b>Total</b>	<b>\$82M</b>	<b>\$93M</b>	<b>\$11M</b>

Budget + Incentive Factor + Estimated Fuel Costs	12/3/2024	1/27/2025	Difference
Unit 1	\$27M	\$29M	\$2M
Unit 2	\$29M	\$31M	\$2M
Unit 3	\$34M	\$45M	\$11M
<b>Total</b>	<b>\$90M</b>	<b>\$105M</b>	<b>\$15M</b>

### Key Takeaways

- Cost increases are largely attributable to outage inspections, equipment, and compliance costs.
- The cost of RMR Service for all three Braunig units has increased and could continue to increase.
- Despite these budget increases, unit-specific costs remain lower than the value of avoided ERCOT-wide load shed.

# Value of Reduced ERCOT-Wide Load Shed (EWLS) (IROL related) Compared to RMR Costs by Resource



- Values for reduced EWLS are based on a Value of Lost Load (VOLL) of \$35,000/MWh.
- The values of the EWLS reduction for Braunig Units 1 and 2 are incremental values.



# Update: Status of RMR Agreement for CPS Energy Braunig Unit 3

- RMR Agreement for Braunig Unit 3 is in the process of being finalized
- Updated RMR Agreement will reflect new cost estimates
- ERCOT and CPS Energy are discussing:
  - An addendum to address CPS Energy’s commercial and operational risks of certain environmental emissions exceedances
  - An addendum to address communications and work approvals during the RMR Agreement term
- Within 90 days of the RMR Agreement being signed, ERCOT Staff is required by Protocols to provide an exit strategy to the Board; ERCOT Staff will present at the April 2025 Board Meeting.

**Key Takeaway:** The RMR Agreement for Braunig Unit 3 will be executed soon and outage inspection begins in March 2025.

# Update: Request for Proposals for Alternatives to Life Cycle Power Mobile Generation Solution

- Life Cycle Power (LCP) mobile generation units currently leased to CenterPoint Energy (CNP) for emergency purposes but could be used as substitute for committing Braunig Units 1 and 2.
- CNP has indicated a willingness to release these units to ERCOT to address reliability concerns in the San Antonio area.
- On December 20, 2024, ERCOT issued an RFP seeking more cost-effective alternatives to contracting with LCP or committing Braunig Units 1 and 2.
  - Response deadline: January 15, 2025
- In response, ERCOT received three offers:
  - Two offers were invalid because they did not meet the terms of the RFP.
  - The only valid offer was not a cost-effective solution.
  - ERCOT issued a Market Notice canceling the RFP on January 28, 2025.

**Key Takeaway:** ERCOT conducted an RFP for alternatives to the LCP mobile generation solution that did not result in any acceptable alternatives. LCP solution remains a viable alternative to Braunig Units 1 and 2.



# Update: Status of Life Cycle Power Mobile Generation Solution

- ERCOT continues to work with LCP, CPS Energy, and CNP on details. CNP will not be part of any contractual arrangement with ERCOT and LCP/CPS Energy.
  - No CNP costs associated with historical LCP arrangement for emergency service in Houston area are included in LCP mobile generation solution.
  - Only incremental costs to provide a higher availability reliability service in the San Antonio area are part of this arrangement.
- LCP has provided ERCOT an all-in estimate of its costs for making its generators available in the CPS Energy service territory, with the assumption those units will be available 24x7 with remote start capability.
  - Estimate for this service is approx. \$26M
- CPS Energy has provided ERCOT and LCP an estimate for the costs to interconnect the LCP units at CPS Energy substations, as well as the cost to provide QSE service.
  - Estimate is approx. \$27M

**Key Takeaways:** Total cost of the LCP mobile generation solution is currently estimated to be approximately \$53 million but subject to change as discussions continue.





# Update: Status of Life Cycle Power Mobile Generation Solution

- ERCOT intends to provide its recommendation to the Board regarding the decision for RMR Service with Braunig Units 1 and 2 or to proceed with a contract with LCP on the mobile generation solution at a future special Board meeting.
  - Working to complete an analysis of the relative cost and reliability benefits of the options.
- If the LCP mobile generation solution is ultimately determined to be the most cost-effective reliable option, ERCOT would plan to request that the PUCT grant good cause exceptions to various rules to allow timely implementation of this proposal. Examples:
  - Modeling timelines
  - Interconnection study requirements

## Key Takeaways

- Updated costs of the LCP mobile generation solution will be shared at a Special Board Meeting in late February/early March.
- With good cause exceptions, ERCOT anticipates service start date in early summer 2025.

