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| NPRR Number | [1274](https://www.ercot.com/mktrules/issues/NPRR1274) | NPRR Title | RPG Estimated Capital Cost Thresholds of Proposed Transmission Projects |
| Date Posted | | February 25, 2025 | |
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| Requested Resolution | | Normal | |
| Nodal Protocol Sections Requiring Revision | | Section 3.11.4.3, Categorizations of Proposed Transmission Projects | |
| Related Documents Requiring Revision/Related Revision Requests | | None | |
| Revision Description | | This Nodal Protocol Revision Request (NPRR) updates the estimated capital cost for the tier classification rules used for the Regional Planning Group (RPG) process. | |
| Reason for Revision | | [Strategic Plan](https://www.ercot.com/files/docs/2023/08/25/ERCOT-Strategic-Plan-2024-2028.pdf) Objective 1 – Be an industry leader for grid reliability and resilience  [Strategic Plan](https://www.ercot.com/files/docs/2023/08/25/ERCOT-Strategic-Plan-2024-2028.pdf) Objective 2 - Enhance the ERCOT region’s economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers  [Strategic Plan](https://www.ercot.com/files/docs/2023/08/25/ERCOT-Strategic-Plan-2024-2028.pdf) Objective 3 - Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission  General system and/or process improvement(s)  Regulatory requirements  ERCOT Board/PUCT Directive  *(please select ONLY ONE – if more than one apply, please select the ONE that is most relevant)* | |
| Justification of Reason for Revision and Market Impacts | | The estimated capital cost thresholds used by ERCOT to categorize transmission projects were last changed in June of 2018 and have since become outdated with the rise of transmission project costs over the years. ERCOT has observed a correlation between an increase in overall project costs and the number of transmission projects the ERCOT planning department must review.  As transmission costs have increased, there are now a subset of transmission projects meeting the capital cost thresholds that would not require review otherwise except for inflation. Having to review these projects negatively impacts process efficiency with little to no incremental benefit. ERCOT believes adjusting the thresholds to account for inflation will help ensure ERCOT is reviewing the most appropriate and impactful transmission projects.  To account for inflation, ERCOT proposes to adjust the thresholds utilizing the U.S. Bureau of Labor Statistics Consumer Price Index (CPI) inflation calculator. As of January 2025 CPI inflation calculator identified a 26% increase since June 2018. A continued 2% inflation rate over the next 4 years will result in an adjusted cost of 36% by 2028. The numbers reflected in the language below have been adjusted accordingly. | |

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| Market Segment | Not applicable |

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| Proposed Protocol Language Revision |

3.11.4.3 Categorization of Proposed Transmission Projects

(1) ERCOT classifies all proposed transmission projects into one of four categories (or Tiers). Each Tier is defined so that projects with a similar cost and impact on reliability and the ERCOT market are grouped into the same Tier. For Tier classification, the total estimated cost of the project shall be used which includes costs borne by another party.

(a) A project shall be classified as Tier 1 if the estimated capital cost is greater than or equal to $135,000,000, unless the project is considered to be a neutral project pursuant to paragraph (f) below.

(b) A project shall be classified as Tier 2 if the estimated capital cost is less than $135,000,000 and a Certificate of Convenience and Necessity (CCN) is required, unless the project is considered to be a neutral project pursuant to paragraph (f) below.

(c) A project shall be classified as Tier 3 if any of the following are true:

(i) The estimated capital cost is less than $135,000,000 and greater than or equal to $35,000,000 and a CCN is not required, unless the project is considered to be a neutral project pursuant to paragraph (f) below; or

(ii) The estimated capital cost is less than $35,000,000, a CCN is not required, and the project includes 345 kV circuit reconductor of more than one mile, additional 345/138 kV autotransformer capacity, or a new 345 kV substation, unless the project is considered to be a neutral project pursuant to paragraph (f) below.

(d) A project with an estimated capital cost greater than or equal to $35,000,000 that is proposed for the purpose of replacing aged infrastructure or storm hardening shall be processed as a Tier 3 project and shall be reclassified as a Tier 4, neutral project upon ERCOT’s determination that any concerns, questions or objections raised during the comment process have been resolved satisfactorily.

(e) A project shall be classified as Tier 4 if it does not meet the requirements to be classified as Tier 1, 2, or 3 or if it is considered a neutral project pursuant to paragraph (f) below.

(f) A project shall be considered a neutral project if it consists entirely of:

(i) The addition of or upgrades to radial transmission circuits;

(ii) The addition of equipment that does not affect the transfer capability of a circuit;

(iii) Repair and replacement-in-kind projects;

(iv) Transmission Facilities needed to connect a new Generation Resource, Energy Storage Resource (ESR), or Settlement Only Generator (SOG) to a new or existing substation on the existing ERCOT Transmission Grid, including the substation;

(v) The addition of static reactive devices;

(vi) A project to serve a new Load, unless such project would create a new transmission circuit connection between two stations (other than looping an existing circuit into the new Load-serving station);

(vii) Replacement of failed equipment, even if it results in a ratings and/or impedance change; or

(viii) Equipment upgrades resulting in only ratings changes.

(2) ERCOT may use its reasonable judgment to increase the level of review of a proposed project (e.g., from Tier 3 to Tier 2) from that which would be strictly indicated by these criteria, based on stakeholder comments, ERCOT analysis or the system impacts of the project.

(a) A project with an estimated capital cost greater than or equal to $68,000,000 that requires a CCN shall be reclassified and processed as a Tier 1 project upon request by a Market Participant during the comment period per Planning Guide Section 3.1.5, Regional Planning Group Comment Process.

(3) Any project that would be built by an Entity that is exempt (e.g., a Municipally Owned Utility (MOU)) from getting a CCN for transmission projects but would require a CCN if it were to be built by a regulated Entity will be treated as if the project would require a CCN for the purpose of defining the Tier of the project.

(4) If during the course of ERCOT’s independent review of a project, the project scope changes, ERCOT may reclassify the project into the appropriate Tier.