



Item 13.1: ERCOT Comments on Stakeholder Education – Understanding NPRR1264

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Board of Directors Meeting

ERCOT Public

June 23-24, 2025

Overview

- **Purpose**

Provide comments and context regarding ERCOT's initial opinion of NPRR1264 as well as the potential impact to ERCOT systems and personnel.

- **Voting Items / Requests**

No action is required of the ERCOT Board; for discussion only.

- **Key Takeaway(s)**

- Provide some background on the current Renewable Energy Certificate (REC) Program and the new Energy Attribute (EAC) Program introduced in NPRR1264.
- Share ERCOT's initial thoughts and opinions regarding NPRR1264.
- Introduce several high-level implementation options and their potential costs.
- Does policy around NPRR1264 align with strategic goals and, if so, should policy discussion occur at PUCT-level or ERCOT stakeholder level?

Renewable Energy Credit Program

- Texas Legislature set the original policy foundation for the Renewable Energy Credit (REC) Program in the Public Utility Regulatory Act (PURA).
- Established at ERCOT in 2000
 - 1 REC is awarded per MWh of renewable generation per quarter
 - RECs can be traded and retired with a useful life of 3 years
 - Retail entities required to retire certain number of RECs to meet the Renewable Portfolio Standard (RPS) requirement depending on their load
- Program requirements were reduced via House Bill (HB) 1500 (88th Legislative Session)
 - RPS requirements end Sept 1, 2025
 - Starting Sept 1, 2025, program will be voluntary. RECs will be created, traded and retired but there is no RPS requirement for retail entities to retire RECs based on their load

• Key Takeaway(s)

- Legislature created the REC Program and ERCOT is bound by PURA 39.9113, PUCT Substantive Rule 25.173 and Protocols to continue to administer a modified version of the Program.

PURA Sec. 39.9113. Renewable Energy Credits

To facilitate voluntary contractual obligations and verify claims regarding environmental attributes of renewable energy production in this state, the independent organization certified under Section 39.151 for the ERCOT power region shall maintain an accreditation and banking system to award and track voluntary renewable energy credits generated by eligible facilities.

(Added by Acts 2023, 88th Leg., R.S., ch. 410 (HB 1500), § 37.)

NPRR1264 – Energy Attribute Certificate Program

- NPRR1264, Creation of a New Energy Attribute Certificate Program
 - Creates a new type of certificate called an Energy Attribute Certificate (EAC)
 - RECs would be a sub-type of the EAC
 - Granularity is per watt-hour on an hourly basis
 - Retirement ~10 years from creation proposed
 - Not limited to renewable generation
 - Not limited to fuel type attributes, other attributes proposed, e.g. third-party certification program for tracking storage discharge
 - Closely aligns with regulations regarding clean hydrogen production tax credits adopted by the U.S. Department of the Treasury and the Internal Revenue Service under Section 45V of the Inflation Reduction Act (IRA)

- **Key Takeaway(s)**

- EACs are technology neutral and can track generation as well as other attributes of generation at an hourly granularity and at a watt hour level.

ERCOT's Initial Opinion of NPRR1264

- The EAC Program does not appear to have a significant impact to system reliability.
- From a state-wide economic perspective, this NPRR creates a more robust program for trading and tracking attributes that supports companies and individuals with standards related to their business requirements or personal goals.
 - Examples would be zero emission goals for a corporation or residence, requirements for production of green hydrogen, and certain certification standards of countries receiving exports of products from Texas.
 - These programs would benefit from having a “single source of truth” regarding the issuance, trading and retirement of EACs.

• **Key Takeaway(s)**

- ERCOT does not believe EACs will significantly improve reliability or resource adequacy.
- EACs could provide benefits to industry.

Potential Impacts to ERCOT

- The EAC Program would increase ERCOT's scope from a **regulatory** perspective.
 - PURA and PUCT Substantive Rules direct ERCOT to administer a program for renewable energy credits only. The ERCOT stakeholder process would control the EAC program.
 - The REC Program would be a subset of the EAC Program. The EAC program would be defined in ERCOT Protocols, with the subset defined in PURA and PUCT rules.
- The EAC Program would increase ERCOT's scope from a **technical** perspective.
 - The EAC program is more complex, with more features, more granularity and wider scope.
 - The EAC program will likely need to be backward compatible with the existing REC program.
 - Requirements to support tracking MWh through Battery Storage are required.
 - Data storage needs could increase significantly.

• Key Takeaway(s)

- Administrating an EAC Program would expand ERCOT's responsibilities both from a regulatory and technical perspective.
- **Policy Questions:**
 - Should the policy discussion take place at the PUCT or the ERCOT stakeholder level?
 - Does this policy align with ERCOT's strategic goals of grid reliability and resiliency and economic competitiveness?

Initial Program Options and Costs

- **Option 1 – ERCOT operates as a data provider only (ERCOT is not the administrator)**
 - ERCOT provides data to a single vendor that would serve as the EAC Program administrator. The vendor would manage the creation, trading and retirement of EACs as well as determining and certifying operational rules.
 - This vendor would finance themselves, likely through some sort of transaction fee.
 - ERCOT would release data for Generation Resources that opted into the Program to this vendor.
 - ERCOT and the PUCT are not responsible for the administration of the Program under this option.
 - Rough cost estimate: ~\$200k for initial build and likely no requirement for additional staff.
- **Option 2 – ERCOT serves as the EAC Program administrator (option proposed in NPRR1264)**
 - ERCOT is responsible for the Program, either by building and administering “in-house” or by selection of a vendor.
 - ERCOT would be responsible for ensuring funding for initial build and ongoing maintenance of the Program.
 - ERCOT would be responsible for certifying and auditing the system for software bugs and compliance to Protocols, either with staff or through a vendor.
 - Rough cost estimate: Greater than \$2M for the initial build plus an additional \$.2M-\$1.25M in annual costs for the addition of approximately 1-5 employees.
 - Fund Source: System Admin Fee (SAF) or User Fee?
- **Key Takeaway(s)**
 - There is at least one alternative (option 1) to what is proposed in NPRR1264 regarding creating and running an EAC Program that reduces impact to ERCOT, its systems and personal.