PROJECT NO. 58000

RULEMAKING TO UPDATE WHOLESALE AND IOU RETAIL TRANSMISSION COST RECOVERY IN THE ERCOT REGION	§ § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

PROPOSAL FOR PUBLICATION OF AMENDMENTS TO §25.192 and §25.193 and NEW §25.252 FOR CONSIDERATION AT THE JULY 9, 2026 OPEN MEETING

The Public Utility Commission of Texas (commission) proposes amendments to §25.192 relating to Transmission Rates for Export from ERCOT and §25.193 relating to Distribution Service Provider Transmission Cost Recovery Factors (TCRF) and new §25.252 relating to Large Load Customer Tariffs. This proposal will implement Section 6 of Senate Bill 6, as enacted during the Texas 89th Regular Legislative Session. The proposal will restyle amended §25.192 to Transmission Service Rates, replace the four coincident peak (4CP) methodology with a 12 coincident peak (12CP) methodology for assigning transmission costs, codify using a 30-minute interval to measure 12CP, require non-opt-in-entity distribution service providers (DSPs) to provide ERCOT access to settlement-quality meter data for each large load customer in its service territory, require block load transfers to pay transmission costs, require interconnection fees paid under §25.194 relating to Large Load Interconnection Standards and financial security forfeited under §25.194 to be used to offset the TSP's revenue requirement, and require adjustments to the calculation of DSP-level billing determinants that maintain alignment between wholesale transmission cost recovery and retail transmission cost recovery. The proposal will also restyle amended §25.193 to Distribution Service Provider Transmission Cost Recovery Factor (TCRF), require the use of a minimum billing demand for large load customers, require a large load customer's billing to commence at the level of available service at the time it is available, irrespective of whether the large load customer has energized or is fully using available capacity, authorize an investor-owned utility (IOU) DSP to make limited adjustments to its transmission cost recovery from end-use customers to account for delayed cost recovery of billing information related to large load customers, require each IOU DSP to file an annual report detailing the amount of revenues collected from each customer class, and require DSPs to update class allocation factor values annually. New §25.252 relating to Large Load Customer Tariffs sets forth specific terms for inclusion in TSP and IOU-DSP tariffs that govern service to large load customers. The proposed rules also include other minor changes to improve clarity and align with current practices.

Growth Impact Statement

The agency provides the following governmental growth impact statement for the proposed rule, as required by Texas Government Code §2001.0221. The agency has determined that for each year of the first five years that the proposed rule is in effect, the following statements will apply:

(1) the proposed rule will not create a government program and will not eliminate a government program;

(2) implementation of the proposed rule will not require the creation of new employee positions and will not require the elimination of existing employee positions;

(3) implementation of the proposed rule will not require an increase and will not require a decrease in future legislative appropriations to the agency;

(4) the proposed rule will not require an increase and will not require a decrease in fees paid to the agency;

(5) the proposed rule will not create a new regulation;

(6) the proposed rule will not expand, limit, or repeal an existing regulation;

(7) the proposed rule will not change the number of individuals subject to the rule's applicability; and

(8) the proposed rule will not affect this state's economy.

Fiscal Impact on Small and Micro-Businesses and Rural Communities

There is no adverse economic effect anticipated for small businesses, micro-businesses, or rural communities as a result of implementing the proposed rule. Accordingly, no economic impact statement or regulatory flexibility analysis is required under Texas Government Code §2006.002(c).

Takings Impact Analysis

The commission has determined that the proposed rule will not be a taking of private property as defined in chapter 2007 of the Texas Government Code.

Fiscal Impact on State and Local Government

Jessie Horn, Senior Counsel, Rules and Projects Division, has determined that for the first five-year period the proposed rule is in effect, there will be no fiscal implications for the state or for units of local government under Texas Government Code §2001.024(a)(4) as a result of enforcing or administering the sections.

Public Benefits

Ms. Horn has determined that for each year of the first five years the proposed section is in effect the public benefit anticipated as a result of enforcing the section will be appropriately assigning costs for transmission investment; ensuring that all loads appropriately contribute to the recovery of an electric cooperative, electric utility, or municipally owned utility's costs to provide access to the transmission system; and ensuring that transmission cost recovery appropriately charges the system costs that are caused by each customer class. There will be no probable economic cost to persons required to comply with the rule under Texas Government Code §2001.024(a)(5).

Local Employment Impact Statement

For each year of the first five years the proposed section is in effect, there should be no effect on a local economy; therefore, no local employment impact statement is required under Texas Government Code §2001.022.

Costs to Regulated Persons

Texas Government Code §2001.0045(b) does not apply to this rulemaking because the commission is expressly excluded under subsection §2001.0045(c)(7).

Public Hearing

The commission staff will conduct a public hearing on this rulemaking if requested in accordance with Texas Government Code §2001.029. The request for a public hearing must be received by **August 11, 2026**. If a request for public hearing is received, commission staff will file in this project a notice of hearing.

Public Comments

Interested persons may file comments electronically through the interchange on the commission's website. Interested persons may file comments electronically through the interchange on the commission's website or by submitting a paper copy to Central Records, Public Utility Commission of Texas, 1701 North Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326. Comments must be filed by **August 11, 2026**. Comments should be organized in a manner consistent with the organization of the proposed rules. The commission invites specific comments regarding the costs associated with, and benefits that will be gained by, implementation of the proposed rule. The commission also requests information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, and analysis. The commission will consider the costs and benefits in deciding whether to modify the proposed rules on adoption. All comments should refer to Project Number **58000.**

In addition to general comments on the text of the proposed rule, the commission invites interested persons to address the following specific questions:

1. Should the values associated with the large load minimum billing demand provisions be different for large load customers with different contracted peak demands or different non-coincident (NCP) demands?
2. Should the large load minimum billing demand be:
    a. fixed for 20 years as proposed;
    b. reduced in phases over a period of 20 years; or
    c. extended to a longer time period?

3. Should the large load minimum billing demand be based on some measure of demand lower than contracted peak demand and NCP demand? For example, should the large load minimum billing demand:
   a. reflect a "ratcheted" demand, wherein the large load minimum billing demand is some percentage of the customer's contracted peak demand or maximum NCP demand in the previous year? If so, should the ratchet percentage decline in phases over the years, and how?
   b. be based on a "weighted average" minimum billing demand, wherein the large load minimum billing demand is some weighted average of the large load customer's contracted peak demand or highest NCP demand over the previous year and the large load customer's 12CP demand? If so, should the percentage weighting towards contracted peak demand or NCP demand decline in phases over the years, and how?
4. Should separate rate treatment be applied to a large computational load, defined as an entity that is subject to §25.194 of this title (relating to Large Load Interconnection Standards) and in which 50% or greater of the demand at the site consists of power electronic based load, specifically computational load, such as data centers and cryptocurrency mining facilities? Responses to this question should include applicable legal support or limitations regarding separate rate treatment for large computational loads.
5. Should the definition for transmission interconnection costs be broadened to include transmission projects that are recommended at the conclusion of a batch study to serve the transmission capacity needs of a particular load?

6. If a large load customer is able to reserve transmission capacity irrespective of whether the large load customer has energized or is fully using available capacity, how should these loads be reflected in the resource adequacy reports and assessments and transmission planning studies?

Each set of comments should include a standalone executive summary as the last page of the filing. This executive summary must be clearly labeled with the submitting entity's name and should include a bulleted list covering each substantive recommendation made in the comments.

Statutory Authority

The amendment is proposed under Public Utility Regulatory Act (PURA) §14.001, which grants the commission the general power to regulate and supervise the business of each public utility within its jurisdiction and to do anything specifically designated or implied by this title that is necessary and convenient to the exercise of that power and jurisdiction; §14.002, which authorizes the commission to adopt and enforce rules reasonably required in the exercise of its powers and jurisdiction; §14.003, which authorizes the commission to require a public utility to report to the commission information relating to the utility; §32.001, which grants the commission exclusive original jurisdiction over the rates, operations, and services of an electric utility in areas outside a municipality and areas inside a municipality that surrenders its jurisdiction to the commission under Section 33.002; §32.101(a), requiring an electric utility to file a tariff showing each rate that is subject to the commission's jurisdiction and in effect for a utility service, product, or commodity offered by the utility; §35.004(a)-(c-1), which sets forth the requirements for transmission service, requires nondiscriminatory access to wholesale transmission service for specified entities, and requires the commission to ensure that a utility recovers its reasonable costs in providing wholesale transmission services and interconnecting a large load to the utility's system; §35.006, which requires the commission to adopt rules relating to wholesale transmission service, rates, and access; §35.007, which requires an electric utility that owns or operates a transmission facility to file a tariff in compliance with commission rules adopted under PURA §35.006; §36.001, which grants the commission the authority to establish and regulate rates of an electric utility and to adopt rules for determining the classification of customers and services and the applicability of rates; §36.003, which requires rates to be just and reasonable, and not unreasonably preferential, prejudicial, or discriminatory but sufficient, equitable, and consistent in application to each class of consumer; §36.055, which requires costs of facilities, revenues, expenses, taxes, and reserves to be separated or allocated as prescribed by the commission; §36.059, which sets forth the requirements for the commission to determine the allocation of tax savings derived from liberalized depreciation and amortization, the investment tax credit, and the application of similar methods, and requires specific treatment if an electric utility or municipally owned utility retains a portion of the investment tax credit; §37.0561, which defines a large load customer, requires the commission to establish standards for uniform financial commitments, and requires the commission to establish uniform requirements for determining when capacity that is subject to an outstanding financial commitment may be reallocated; §39.151, which grants the commission complete oversight of ERCOT; and §39.203(a)-(b), which sets forth requirements to provide transmission service.

Cross Reference to Statute: Public Utility Regulatory Act §14.001; 14.002; 14.003; §32.001; 32.101(a); 35.004(a)-(c-1); 35.006-35.007; 36.001; 36.003; 36.055; 36.059; 37.0561; 39.151; and 39.203(a)-(b).

§25.192. Transmission Service Rates ~~for Export from ERCOT~~.

(a) **Applicability.** This section applies to all transmission service providers (TSPs) providing transmission service within the Electric Reliability Council of Texas (ERCOT) region, to all distribution service providers (DSPs) serving load within the ERCOT region, to all entities scheduling the export of power out of the ERCOT region, and to other transmission customers of the ERCOT transmission system.

(b) **Definitions.** The following terms, when used in this section, have the following meanings, unless context indicates otherwise.

(1) **Baseline values** -- Values that reflect the costs or other information used to establish rates in a rate proceeding.

(2) **DSP 12 coincident peak (12CP) load** -- The average of the 12 demand values of a DSP that are coincident with the ERCOT 12CP intervals determined from the total demand of all customers within the ERCOT region connected to a DSP, including load served at transmission voltage, and block load transfers, but excluding export flows and wholesale storage load.

(3) **ERCOT 12CP load** -- The sum of the DSP 12CP load for all the DSPs serving load in the ERCOT region, including block load transfers, but excluding the portion of demand attributable to export flows and wholesale storage load.

(4) **ERCOT 12CP intervals** -- The set of 12 30-minute intervals composed of the ERCOT system monthly peak demand interval for each of the 12 calendar months from October 1 of one year through September 30 of the subsequent year, inclusive.

(5) **Export entity** -- An ERCOT-registered entity scheduling the export of power from the ERCOT region, including a qualified scheduling entity.

(6) **Large load customer** -- An entity that is subject to §25.194 of this title (relating to Large Load Interconnection Standards).

(7) **Large load minimum billing demand** -- The minimum transmission billing demand associated with large load customers, as described by §25.193 of this title (relating to Distribution Service Provider Transmission Cost Recovery Factor (TCRF)).

(8) **Network export rate** -- The transmission rate established by the commission for a TSP to recover the costs associated with the use of that TSP's transmission facilities to provide wholesale transmission service at transmission voltage for the delivery of power to be exported from the ERCOT region.

(9) **Network transmission service rate** -- The transmission rate established by the commission for a TSP to recover costs associated with the use of that TSP's transmission facilities to provide wholesale transmission service at transmission voltage within the ERCOT region.

(10) **Non-investor-owned utility distribution service provider (non-IOU DSP)** -- A DSP that is a municipally owned utility, river authority, or electric cooperative.

(11) **Non-investor-owned utility transmission service provider (non-IOU TSP)** -- A TSP that is a municipally owned utility, river authority, or electric cooperative.

(12) **Tie line** -- A facility connected to the ERCOT transmission grid that enables power to be imported into or exported out of the ERCOT power grid, including high voltage direct current converter stations and variable frequency transformers.

(13) **Transmission interconnection costs** -- All costs associated with the facilities required to physically interconnect or upgrade the interconnection of a transmission-level customer, or a distinct set of transmission-level customers, to the existing transmission network, including interconnection lines, substation additions or modifications, and associated equipment necessary to establish or modify service.

(14) **Wholesale storage load** -- Load associated solely and entirely with wholesale storage, as described by §25.501(m)(2) of this title (relating to Wholesale Market Design for the Electric Reliability Council of Texas).

(15) **Wholesale transmission service at distribution voltage** -- Wholesale transmission service provided using facilities that are rated at less than 60 kilovolts and that are not transmission facilities as described in subsection (e) of this section, as required by §25.191(d)(2) of this title (relating to Transmission Service Requirements).

(16) **Wholesale transmission service at distribution voltage rate** -- The transmission rate established by the commission for a TSP or DSP to recover costs associated with the use of that utility's distribution facilities to provide wholesale transmission service at distribution voltage.

(c) **Tariffs.**

(1) -Each TSP must ~~transmission service provider (TSP) shall~~ file a tariff for transmission service to reflect the ~~establish its~~ rates, ~~and other~~ terms, and conditions set by the commission and must ~~shall~~ apply its tariff ~~tariffs and rates~~ on a non-

discriminatory basis. ~~The tariff shall apply to all distribution service providers (DSPs) and any entity scheduling the export of power from the Electric Reliability Council of Texas (ERCOT) region.~~ The tariff shall not apply to any entity engaging in wholesale storage as described by §25.501(m) of this title (relating to Wholesale Market Design for the Electric Reliability Council of Texas) (storage entity).

(2) If the TSP provides wholesale transmission service at distribution voltage, the tariff required by this section must include a separate section to reflect wholesale transmission service at distribution voltage rates, terms, and conditions set by the commission. A TSP must file an application to establish such tariff within 30 days of receiving a request for such service.

(d)~~(b)~~ **Charges for network transmission service delivered within the ERCOT region.** DSPs must ~~, excluding storage entities, shall~~ incur transmission service charges as provided by ~~pursuant to~~ the tariffs of a ~~the~~ TSP.

(1) A TSP's network transmission service rate must ~~shall~~ be calculated as its commission-approved transmission cost of service divided by the ERCOT 12CP load. In a proceeding to establish network transmission service rates under this section, the ERCOT 12CP load value to be used in calculating a TSP's rate must be the most recently approved ERCOT 12CP load in effect prior to the date of approval of the TSP's new network transmission service rate in the proceeding. The rate approved may not exceed the noticed rate under any circumstance. ~~average of ERCOT coincident peak demand for the months of June, July, August~~

~~and September (4CP), excluding the portion of coincident peak demand attributable to wholesale storage load.~~

(2) A TSP's network transmission service rate must ~~shall~~ remain in effect until the commission approves a new rate and that new rate takes effect. The TSP's annual rate must ~~shall~~ be converted to a monthly rate. The monthly network transmission service charge to be paid by each DSP is the product of each TSP's monthly rate as specified in its tariff and the DSP's previous year's DSP 12CP load. ~~average of the 4CP demand that is coincident with the ERCOT 4CP.~~

(3)~~(2)~~ Payments for transmission services must ~~shall~~ be consistent with commission orders, approved tariffs, and §25.202 of this title (relating to Commercial Terms for Transmission Service).

(e)~~(c)~~ **Transmission cost of service.** A TSP's transmission cost of service must be calculated in accordance with this subsection and the amount approved by the commission will be based on a complete review of all aspects of a TSP's transmission cost of service.

(1) The transmission cost of service for each TSP must ~~shall~~ be based on:

(A) the expenses in Federal Energy Regulatory Commission (FERC) expense accounts 560-573 (or accounts with similar contents or amounts properly functionalized to the transmission function); ~~plus~~

(B) the depreciation, federal income tax, ~~and~~ other associated taxes, and the commission-allowed rate of return associated with ~~based on~~ FERC plant accounts 350-359 (or accounts with similar contents or amounts properly functionalized to the transmission function), less accumulated depreciation and accumulated deferred federal income taxes; and ~~, as applicable.~~

(C) the offsetting reduction to transmission cost of service for any network export rate revenues as described in subsection (g)(2) of this section.

(2)~~(1)~~ **Transmission facilities.**

(A) Transmission ~~The following~~ facilities include the following: ~~are deemed to be transmission facilities:~~

(i)~~(A)~~ power lines, substations, reactive devices, and associated facilities, operated at 60 kilovolts or above, including radial lines operated at or above 60 kilovolts, except the step-up transformers and a protective device associated with the interconnection from a generating station or a storage facility to the transmission network;

(ii)~~(B)~~ substation facilities on the high side of the transformer, in a substation where power is transformed from a voltage higher than 60 kilovolts to a voltage lower than 60 kilovolts;

(iii)~~(C)~~ the portion of tie-line ~~the direct-current~~ interconnections with areas outside of the ERCOT region ~~(DC ties)~~ that are owned by a TSP in the ERCOT region, including those portions of the ~~DC~~ tie line that operate at a voltage lower than 60 kilovolts; and

(iv)~~(D)~~ capacitors and other reactive devices that are operated at a voltage below 60 kilovolts, if they are located in a distribution substation, the load at the substation has a power factor in excess of 0.95 as measured or calculated at the distribution voltage level without the reactive devices, and the reactive devices are controlled by an operator or automatically switched in response to transmission voltage.

(B)~~(E)~~ As used in subparagraph ~~subparagraphs~~ (A) ~~-(D)~~ of this paragraph, reactive devices do not include generating facilities or energy storage facilities.

(3)~~(2)~~ For a non-IOU TSP, ~~municipally owned utilities, river authorities, and electric cooperatives,~~ the commission may permit the use of the cash flow method or other reasonable alternative methods of determining the annual transmission revenue requirement, including the return element of the revenue requirement, consistent with the rate actions of the rate-setting authority for a municipally owned utility.

(4)~~(3)~~ For a non-IOU TSP, ~~municipally owned utilities, river authorities, and electric cooperatives,~~ the return may be determined based on the non-IOU TSP's actual debt service and a reasonable debt service coverage ratio or interest coverage ratio. In determining a reasonable coverage ratio, the commission will consider the coverage ratios required in the non-IOUTSP's bond indentures or ordinances and the most recent rate action of the retail rate-setting authority for the non-IOU TSP, if any.

(5)~~(4)~~ A municipally owned utility that is required to apply for a certificate of public convenience and necessity to construct, install, or extend a transmission facility within ERCOT under ~~pursuant to~~ §25.101 of this title (relating to Certification Criteria) is entitled to recover, through its ~~the utility's wholesale~~ transmission rates ~~rate~~ under this section, reasonable payments made to a taxing entity in lieu of ad valorem taxes on that transmission facility, provided that:

(A) The municipally owned utility enters into a written agreement with the governing body of the taxing entity related to the payments;

(B) The amount paid is the same as the amount the municipally owned utility would have to pay to the taxing entity on that transmission facility if the facility were subject to ad valorem taxation;

(C) The governing body of the taxing entity is not the governing body of the municipally owned utility; and

(D) The municipally owned utility provides the commission with a copy of the written agreement and any other information that the commission considers necessary in relation to the agreement.

(6) Notwithstanding any other provision of this section, transmission interconnection costs associated with interconnection agreements signed after the effective date of this section must not be included in a TSP's transmission cost of service or transmission service rates.

(7) With regard to investments for which the commission has approved a certificate of convenience and necessity but which have not been authorized by the commission as used and useful in providing service to the public, and for which investments the associated costs have not yet been approved by the commission as prudently incurred, an application under subsection (d)(1) of this section must include a comparison of the cost estimates provided in any certificate of convenience and necessity proceedings with the actual costs incurred for those investments.

(8) **Baseline values.** Any network transmission service rate and associated transmission cost of service approved by the commission under this section must establish baseline values that reflect the costs used to establish the transmission rates. At a minimum, reasonable and accurate baseline values for invested capital, rate base, return on rate base, capital structure, cost of debt, operations and maintenance expense, depreciation expense, federal income tax expense, other

taxes expense, depreciation rates, network export-rate revenues, and other revenues must be established.

(9)~~(5)~~ The commission may adopt rate-filing requirements that provide additional details concerning the costs that may be included in ~~the~~ transmission rates ~~costs~~ and how such costs should be reported in a proceeding to establish or amend transmission rates.

(f)~~(d)~~ **Billing units.** The billing units determined under this subsection must be used to determine a TSP's rates established under this section.

(1) **12CP.** No later than December 1 of each year, ERCOT must ~~shall~~ determine and file with the commission the current year's DSP 12CP load ~~average 4CP demand~~ for each DSP, based on the ERCOT 12CP intervals ending the immediately preceding September. ERCOT must also include in this filing the ERCOT 12CP load for the current year. The measurement of the ERCOT system monthly peak demand for purposes of determining the ERCOT 12CP intervals and the determination of the DSP demand values that coincide with the ERCOT 12CP intervals must be in accordance with ERCOT protocols. The commission may approve changes to DSP 12CP values and the ERCOT 12CP value at any time. ~~, or the DSP's agent for transmission service billing purposes, as appropriate, excluding the portion of coincident peak demand attributable to wholesale storage load. This demand shall be used to bill transmission service for the next year. The ERCOT average 4CP demand shall be the sum of the coincident peak of all of the ERCOT DSPs, excluding the portion of coincident peak demand attributable to wholesale storage load for the four intervals coincident with ERCOT system peak~~

~~for the months of June, July, August, and September divided by four. As used in this section, a DSP's average 4CP demand is determined from the total demand, coincident with the ERCOT 4CP, of all customers connected to a DSP, including load served at transmission voltage, but excluding the load of wholesale storage entities. The measurement of the coincident peak shall be in accordance with commission-approved ERCOT protocols.~~

(A) Non-IOU DSPs must provide ERCOT timely access to settlement-quality meter data for each large load customer in its service territory.

(B) Notwithstanding the applicability of §25.193 of this title (relating to Distribution Service Provider Transmission Cost Recovery Factor (TCRF)), ERCOT must perform adjustments to each DSP 12CP load value by adding to each measured DSP 12CP load, for each large load customer of that DSP, the difference between that customer's large load minimum billing demand, as described in §25.193 of this title (relating to Distribution Service Provider Transmission Cost Recovery Factor (TCRF)), and that customer's measured 12CP load, adjusted for line losses as appropriate and annualized across the annual period for large load customers initiating their connection within the period or for large load customers which have increased their contracted peak demand or NCP demand within the period. For each large load customer, the adjustment under this subparagraph must commence at the level of available service at the time it is available, irrespective of whether the large load customer has energized or is fully using available capacity.

(2) **Tie-line power flows.** ERCOT must file a public report with the commission stating the total amount of energy imported and the total amount of energy exported over each tie line for the calendar month. The report must also include the total amount of energy exported from the ERCOT region during the reporting month and each of the preceding 11 calendar months, reported by scheduling entity. Each report must be filed within 45 days of the reporting month.

(g)~~(e)~~ **Transmission rates for exports from ERCOT.** A transmission service charge for exports of power from ERCOT must be assessed to transmission service customers for transmission service within the boundaries of the ERCOT region, in accordance with this section and the ERCOT protocols.

(1) A transmission service customer must be assessed a transmission service charge for the use of the ERCOT transmission system in exporting power from ERCOT based on scheduled exports and the rates established under subsections (e) ~~(c)~~ and (f) ~~(d)~~ of this section. The intervals must consist of one hour.

(2) The hourly transmission rate for exports from ERCOT will be the TSP's annual rate established under subsections (e) ~~(c)~~ and (f) ~~(d)~~ of this section divided by 8760.

(3) The entity scheduling the export of power over a DC tie is solely responsible to the TSP for payment of transmission service charges under this subsection.

~~(4) Beginning with the January 2023 reporting month, ERCOT must file a public report with the commission stating the total amount of energy imported and the total amount of energy exported over each DC tie for the calendar month. The report must also include the total amount of energy exported from the ERCOT region~~

~~during the reporting month and each of the preceding 11 calendar months, reported by scheduling entity. Each report must be filed within 45 days of the reporting month.~~

(h)~~(f)~~ **Transmission revenue.** Revenue from the transmission of electric energy out of the ERCOT region over the DC ties that is recovered under subsection (g) ~~(e)~~ of this section must ~~shall~~ be credited to all transmission service customers as a reduction in the transmission cost of service for TSPs that receive the revenue.

(i)~~(g)~~ **Revision of transmission rates.** Each TSP in the ERCOT region must ~~shall~~ periodically revise its transmission ~~service~~ rates under this section to reflect changes in the cost of providing such services. Any request for a change in transmission rates must ~~shall~~ comply with the filing requirements established by the commission ~~under this section~~. The commission may, at any time, require a TSP to file an application to revise its rates.

(j)~~(h)~~ **Interim update ~~Update~~ of network ~~Transmission~~ rates.**

(1) **Frequency.** Each TSP in the ERCOT region may apply to update its network transmission service rate ~~rates~~ and its network export rate on an interim basis not more than twice ~~once~~ per calendar year to reflect changes in its invested capital. ~~Upon the effective date of an amendment to §25.193 pursuant to an order in Project Number 37909, *Rulemaking Proceeding to Amend P.U.C. Subst. R. 25.193, Relating to Distribution Service Provider Transmission Cost Recovery factors (TCRF)*, that allows a distribution service provider to recover, through its~~

~~transmission cost recovery factor, all transmission costs charged to the distribution service provider by TSPs, each TSP in the ERCOT region may apply to update its transmission rates on an interim basis not more than twice per calendar year to reflect changes in its invested capital.~~

(2) **Costs that may be included.** If the TSP elects to update its transmission rates, the new rates must ~~shall~~ reflect the addition and retirement of transmission facilities and include appropriate depreciation, federal income tax and other associated taxes, ~~and~~ the commission-authorized rate of return on such facilities, and any adjustments related to changes in transmission-related accumulated deferred federal income taxes, as well as changes in loads. If the TSP does not have a commission-authorized rate of return, an appropriate rate of return must ~~shall~~ be used.

(3)~~(2)~~ **Reconciliation.** An interim update of network transmission service rates under ~~paragraph (1) of~~ this subsection must ~~shall~~ be subject to reconciliation at the next complete review of the TSP's transmission cost of service, at which time the commission must ~~shall~~ review the costs of the interim transmission plant additions to determine if they were reasonable and necessary. Any amounts resulting from an interim update that are found to have been unreasonable or unnecessary, plus the corresponding return and taxes, must ~~shall~~ be refunded with carrying costs determined as follows: for the time period beginning with the date on which over-recovery is determined to have begun to the effective date of the TSP's rates set in that complete review of the TSP's transmission cost of service, carrying costs must ~~shall~~ be calculated using the same rate of return that was applied to the transmission investments included in the update. For the time period beginning with the effective date of the TSP's rates set in that complete review of the TSPS's transmission cost of service, carrying costs must ~~shall~~ be calculated using the TSP's rate of return authorized in that complete review. The commission may order a compliance proceeding to determine the final amounts of over-recovery that must be refunded to customers and the form of the refund.

(4)~~(3)~~ **Consideration ~~Future consideration~~ of the effect on a TSP's financial risk and rate of return.** For a TSP that has increased its rates under ~~pursuant to paragraph (1) of~~ this subsection, the commission may, in setting rates in the next complete review of the TSP's transmission cost of service, expressly consider the effects of reduced regulatory lag resulting from the interim updates to the TSP's rates and the concomitant impact on the TSP's financial risk and rate of return.

(5)~~(4)~~ **Commission processing of application.** The commission will ~~shall~~ process an application filed under ~~pursuant to~~ paragraph (1) of this subsection in the following manner.

(A) **Notice and intervention deadline.** The applicant must ~~shall~~ provide notice of its application to all parties in the applicant's last complete review of the applicant's transmission cost of service and all of the distribution service providers listed in the last docket in which the commission set the annual transmission service charges and DSP billing demand for the Electric Reliability Council of Texas. The intervention deadline must ~~shall~~ be 21 days from the date service of notice is completed.

(B) **Sufficiency of application.** A motion to find an application materially deficient must ~~shall~~ be filed no later than 21 days after an application is filed. ~~The motion shall be served on the applicant by hand delivery, facsimile transmission, or overnight courier delivery, or by e-mail if agreed to by the applicant or ordered by the presiding officer.~~ The motion must ~~shall~~ specify the nature of the deficiency and the relevant portions of the application, and cite the particular requirement with which the application is alleged not to comply. The applicant's response to a motion to find an application materially deficient must ~~shall~~ be filed no later than five working days after such motion is filed. ~~received.~~ If within ten working days after the deadline for filing a motion to find an application materially deficient, the presiding officer has not filed a written order concluding that material deficiencies exist in the application, the application is deemed sufficient.

(C) **Review of application.** A proceeding initiated under ~~pursuant to~~ paragraph (1) of this subsection is eligible for disposition under ~~pursuant to~~ §22.35(b)(1) of this title (relating to Informal Disposition). If the requirements of §22.35 of this title are met, the presiding officer must ~~shall~~ issue a notice of approval within 60 days of the date a materially sufficient application is filed unless good cause exists to extend this deadline or the presiding officer determines that the proceeding should be considered by the commission.

(6)~~(5)~~ **Filing schedule ~~Schedule~~.** The commission may prescribe a schedule for TSPs ~~providers of transmission services~~ to file proceedings to revise the rates for transmission ~~such~~ services.

~~(6) **DSP's right to pass through changes in wholesale rates.** A DSP may expeditiously pass through to its customers changes in wholesale transmission rates approved by the commission, pursuant to §25.193 of this title (relating to Distribution Service Provider Transmission Cost Recovery Factors (TCRF)).~~

(7) **Reporting requirements.** Each TSP ~~TSPs~~ must ~~shall~~ file reports that will permit the commission to monitor its~~their~~ transmission costs and revenues, in accordance with any filing requirements and schedules prescribed by the commission.

(k) **Large load customer interconnection fee and financial security.**

(1) **Interconnection fee.** A large load customer must pay the interconnecting TSP an interconnection fee in accordance with §25.194 (relating to Large Load Interconnection Standards). In all proceedings to adjust rates under this section, TSPs must apply all interconnection fee amounts received as an offset to the TSP's transmission revenue requirement.

(2) **Financial security.** In all proceedings to adjust rates under this section, TSPs must apply all financial security amounts forfeited pursuant to §25.194 of this title (relating to Large Load Interconnection Standards) as an offset to the TSP's transmission revenue requirement.

(j) **Transition requirements.**

(1) The initial DSP 12CP billing demands established under subparagraph (f)(1) of this section are effective consistent with the order in the next docket in which the commission sets the annual transmission service charges and DSP billing demands for ERCOT using the 12CP data provided by ERCOT under subparagraph (f)(1) of this section.

(2) Each TSP must submit a compliance filing to update its tariff within 30 days of adoption of this section. The updated tariff must change any references to 4CP billing demand or the associated months to allow for the transition to "superseding billing demand approved by the commission" or similar language and may not include any other changes.

§25.193. Distribution Service Provider Transmission Cost Recovery Factor ~~Factors~~ (TCRF).

(a) **Applicability. ~~Application.~~** The provisions of this section apply to all investor-owned distribution service providers (DSPs) providing distribution service entirely within the Electric Reliability Council of Texas (ERCOT) region to retail electric providers (REPs) and other customers of the distribution system.

(b) **TCRF authorized.**

(1) A DSP subject to this section that is billed for network transmission service by a transmission service provider (TSP) under ~~pursuant to~~ §25.192 of this title (relating to Transmission Service Rates) must ~~shall be allowed to~~ include within its tariff a TCRF clause that authorizes the DSP to charge or credit its customers for the entire amount of wholesale network transmission expenses properly incurred by ~~cost changes approved or allowed by the commission to the extent that such costs vary from the transmission service cost utilized to fix the base rates of~~ the DSP. The DSP must ~~shall~~ update its TCRF twice per year on March 1 and September 1 to pass through the wholesale network transmission expenses ~~cost changes~~ billed by a TSP. For the March 1 update, the DSP must ~~shall~~ file a request to update its TCRF no later than December 1; and for the September 1 update, no later than June 1. Within 45 days after a DSP files a request to update its TCRF, the commission must ~~shall~~ issue an order establishing the amount of the revised TCRF and suspend the effective date of the revised TCRF as necessary so that the new TCRF charges will take effect on March 1 or September 1, as applicable.

(2) A DSP must ~~shall~~ include in its TCRF update calculation:

(A) the cost of wholesale network transmission charges to the DSP ~~cost changes~~ approved or allowed by the commission~~ to the extent that such costs vary from the transmission service utilized to fix the rates of the DSP~~; and

(B) an adjustment amount, which must~~shall~~ equal:

(i) the actual wholesale network transmission expenses ~~costs~~ paid by the DSP during the review period to TSPs~~ as a result of increases in the TSPs' wholesale transmission rates above the wholesale transmission rates of the TSPs used to develop the retail transmission charges of the DSP in the DSP's last rate case~~; minus

(ii) the revenues recovered through the DSP's TCRF minus the portion of the adjustments approved by the commission in the DSP's most recent two TCRF filings that were in effect during the review period.

(iii) For a March 1 TCRF update, the adjustment must ~~shall~~ reflect the six-month period beginning with the preceding May 1 and continuing through October 31 (review period); for a September 1 update, the adjustment must ~~shall~~ reflect the six-month period beginning with the preceding November 1 and continuing through April 30 (review period). A ~~In no event shall a~~ DSP's TCRF clause must not, in any event, result in the DSP recovering more than its actual ~~cost of~~ wholesale network transmission service expenses charged to it by TSPs. ~~included in the TCRF.~~

(c) **TCRF Formula.** Except as provided for in subsection (e) of this section, the ~~The~~ TCRF for each class must ~~shall~~ be computed based on the sum of the values of the TSP network transmission service rates times the DSP's load pursuant to the following formula:

$$\frac{[\sum_{i=1}^{N}(NTSR_i * DSPL) * 1/2 * ALLOC] + ADJ}{BD}$$

$$\cancel{\frac{\{[\sum_{i=1}^{N}(NWTR_i * NL_i) - \sum_{i=1}^{N}(BWTR_i * NL_i)] * 1/2 * ALLOC\} + ADJ}{BD}}$$

Where:	$NTSR_i$ ~~$NWTR_i$~~ is the network ~~new wholesale~~ transmission service rate of a TSP, approved by the commission by order or pursuant to commission rules, in effect at the time the wholesale network transmission expense was incurred; ~~since the DSP's last rate case;~~
	DSPL is the DSP's individual load component of the total ERCOT load information used to determine the wholesale network transmission expense associated with the $NTSR_i$ when the expense was incurred; ~~BWTRi is the base wholesale transmission rate of the TSP represented in the $NWTR_i$, used to develop the retail transmission charges of the DSP in the DSP's last rate case;~~
	~~NL_i is the DSP's individual 4CP load component of the total ERCOT 4CP load information used to develop the $NWTR_i$;~~
Where:	$ADJ = \sum_{p=1}^{6} \cancel{\{}[EXP_p - (REV_p - ADJP1_p - ADJP2_p)\cancel{\}}]$ ADJ = adjustment to Rate Class TCRF; EXP_p = network transmission expenses ~~not included in base rates~~ for period p; REV_p = TCRF revenue for period p;

	$ADJP1_p$ = 1/6th of ADJ calculated in the previous TCRF update for the periods 5 and 6; $ADJP2_p$ = 1/6th of ADJ calculated in second previous TCRF update for the periods 1 through 4;
	ALLOC is the most recent class allocator based on class demands coincident with the most recent ERCOT 12CP intervals, as defined in §25.192 of this title (relating to Transmission Service Rates), adjusted for line losses based upon the most recent available line loss values used to calculate rates in the DSP's most recently approved comprehensive base rate proceeding before the commission or those published by ERCOT, and further adjusted to include each large load customer's large load minimum billing demands in lieu of the large load customer's actual 12CP demand where that customer's 12CP demand is less than that customer's large load minimum billing demand, unless otherwise ordered by the commission; and ~~ALLOC is the class allocator approved by the commission to allocate the transmission revenue requirement among classes in the DSP's last rate case, unless otherwise ordered by the commission; and,~~
	BD is each class's projected billing determinants for the time period the TCRF is expected to be in place, including each large load customer's minimum billing demands in lieu of the large load customer's actual 12CP billing demand where that customer's 12CP billing demand is less than that customer's large load minimum billing demand. ~~BD is each class's billing determinant (kilowatt-hour (kWh), or kilowatt (kW), or kilovolt-ampere (kVa)) for the previous March 1 through August 31 period for the March 1 TCRF update, and for the previous September 1 through February 28 period for the September 1 TCRF update~~.

(d) **Large load minimum billing demand.**

(1) A REP serving a large load customer, as determined by §25.194 of this title (relating to Large Load Interconnection Standards), must be charged for that customer based upon a minimum billing demand.

(2) The minimum billing demand for a large load customer under paragraph (1) of this subsection must be the greater of:

(A) the large load customer's contracted peak demand, as defined in §25.194 of this title (relating to Large Load Interconnection Standards);

(B) the highest non-coincident peak demand placed by the large load customer on the system in the past year; or

(C) the large load customer's 12CP demand consistent with the most recent ERCOT 12CP intervals, as defined in §25.192 of this title (relating to Transmission Service Rates).

(3) A large load customer's billing under this section must commence at the level of available service at the time it is available, irrespective of whether the large load customer has energized or is fully using available capacity, and for a period of no less than 20 years.

(e) **Adjustments due to delayed cost recovery or billing information.** An IOU DSP may request, and the commission may approve, reasonable adjustments to the TCRF formula included in subsection (c) of this section to account for delays between costs incurred to serve large load customers and cost recovery from those customers. Such adjustments are limited to:

(1) adjustments to increase billing units associated with anticipated large load customers;

(2) adjustments to increase the allocation of costs to classes that include large load customers; and

(3) the allocation of revenues over-recovered from classes that include large load customers to other customer classes.

(f)~~(d)~~ **TCRF charges.** A DSP's TCRF charge must ~~shall~~ remain in effect until adjusted under this section~~ or until the DSP's delivery rates change pursuant to a commission order in a rate proceeding~~.

(g) **Reports.** Each IOU DSP must file a report with the commission annually on December 1, detailing the amount of revenues collected from each customer class during the preceding year beginning October 1 and ending September 30, and including all such information from prior years.

~~(e) **Reports.** The DSP shall maintain and provide to the commission semi-annual reports containing all information required to monitor the costs recovered through the TCRF clause. This information includes, but is not limited to, the total estimated TCRF cost for each month, the actual TCRF cost on a cumulative basis, the amount of transmission costs included in base rates, total revenues resulting from the TCRF, and the calculation of the amount to be recovered under subsection (b)(2) of this section. The reports shall be filed by March 31 and September 30 of each year.~~

§25.252. Large Load Customer Tariffs.

(a) **Applicability.** The provisions of this section apply to all transmission service providers (TSPs) providing transmission service within the Electric Reliability Council of Texas (ERCOT) region and investor-owned utility distribution service providers (IOU DSPs) providing distribution service within the ERCOT region to retail electric providers (REPs) and other customers of the distribution system. The provisions of this section govern electric service provided to large load customers that are subject to §25.194 of this title (relating to Large Load Interconnection Standards).

(b) **Definitions.** The following terms, when used in this section, have the following meanings, unless context indicates otherwise.

(1) **Contracted peak demand** -- Contracted peak demand as that term is defined in §25.194 of this title (relating to Large Load Interconnection Standards).

(2) **Distribution interconnection costs.** All costs, other than transmission interconnection costs, associated with the facilities required to physically interconnect or upgrade the interconnection of a distribution-level customer, or a distinct set of distribution-level customers, to provide distribution service, including interconnection lines at distribution voltage, substation additions or modifications, and associated equipment necessary to establish or modify distribution service that do not qualify as transmission facilities under §25.192 of this section (relating to Transmission Service Rates).

(3) **Large load customer** -- An entity that is subject to §25.194 of this title (relating to Large Load Interconnection Standards).

(4) **Large load minimum billing demand** -- The minimum transmission billing demand associated with large load customers, as described by §25.193 of this title (relating to Distribution Service Provider Transmission Cost Recovery Factor (TCRF)).

(5) **Transmission interconnection costs.** All costs associated with the facilities required to physically interconnect or upgrade the interconnection of a transmission-level customer, or a distinct set of transmission-level customers, to the existing transmission network, including interconnection lines, substation additions or modifications, and associated equipment necessary to establish or modify service.

(c) **TSP and IOU-DSP tariff requirements.** The following provisions regarding large load customers apply regardless of whether the large load customer interconnects at transmission voltage or distribution voltage. Each TSP and each IOU-DSP must include the following terms in its tariff:

(1) **Financial security.** A large load customer must post financial security in accordance with §25.194 of this title (relating to Large Load Interconnection Standards).

(2) **Contribution in aid of construction.**

(i) A large load customer must pay contribution in aid of construction for transmission interconnection costs and distribution interconnection costs.

(ii) Contribution in aid of construction must be made in the form of a direct cash payment.

(iii) An allowance for contribution in aid of construction is prohibited.

(3) **Interconnection agreement.** An interconnection agreement for service with a term of not less than 20 years and that complies with §25.194 of this title (relating to Large Load Interconnection Standards) is required.

(d) **TSP tariff requirements.** The following provisions regarding large load customers apply to TSPs and large load customers. Each TSP must include the following terms in its tariff:

(1) **Reservation of transmission capacity.** A large load customer must meet the following requirements to reserve transmission capacity:

(A) execute an interconnection agreement that complies with the requirements of §25.194 of this title (relating to Large Load Interconnection Standards);

(B) meet the financial commitments and obligations required by §25.194 of this title (relating to Large Load Interconnection Standards); and

(D) remain in compliance with the interconnection agreement executed in accordance with §25.194 of this title (relating to Large Load Interconnection Standards).

(2) **Reallocation.** Transmission capacity may be reallocated if a large load customer fails to meet the requirements described in this subsection.

(e) **IOU-DSP tariff requirements.** The following provisions regarding large load customers apply to IOU-DSPs and large load customers. Each IOU DSP must include the following terms in its tariff:

(1) **Commencement of billing.** Billing must commence beginning the first billing cycle after the date that transmission capacity is made available to serve the large load customer.

(2) **Large load minimum billing demand.**

(i) A large load customer that does not energize at the time that billing commences must be billed based on the large load customer's contracted peak demand until such time as the large load customer energizes.

(ii) For the first 20 years after commencement of billing, the large load customer must complete 240 consecutive payments based on the greater of:

(A) the large load customer's contracted peak demand;

(B) the highest non-coincident peak demand placed by the large load customer on the system in the past year; or

(C) the large load customer's 12CP demand consistent with the most recent ERCOT 12CP intervals, as defined in §25.192 of this title (relating to Transmission Service Rates).

(f) **Compliance filing.** Each IOU DSP must submit a compliance filing to update its tariff within 30 days of adoption of this section.

This agency hereby certifies that the proposal has been reviewed by legal counsel and found to be within the agency's legal authority to adopt.

ISSUED IN AUSTIN, TEXAS ON THE 9th DAY OF July 2026 BY THE PUBLIC UTILITY COMMISSION OF TEXAS
KATELYN LEWIS