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PROJECT NO. 54584

RELIABILITY STANDARD FOR THE ERCOT MARKET	**§**	**PUBLIC UTILITY COMMISSION**
	§	
	§	**OF TEXAS**

PROPOSAL FOR PUBLICATION OF NEW 16 TAC §25.508

The Public Utility Commission of Texas (commission) proposes new 16 Texas Administrative Code (TAC) §25.508, relating to Reliability Standard for the Electric Reliability Council of Texas (ERCOT) region.

The proposed rule will facilitate the implementation of Public Utility Regulatory Act (PURA) §39.159(b)(1) as revised by Section 18 of Senate Bill (S.B.) 3 during the Texas 87th Regular Legislative Session. The proposed rule will create a reliability standard for the ERCOT region, made up of three measures of loss of load events: frequency, magnitude, and duration.

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 create a new regulation, implementing a new requirement from S.B. 3;

(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

Werner Roth, Senior Market Economist, Market Analysis, 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 section.

Public Benefits

Mr. Roth 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 an increased ability to determine if there is sufficient generation capacity to meet the projected electric demand of Texans in the ERCOT region. 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 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 July 15, 2024. 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. Comments must be filed by July 15, 2024. 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 will consider the costs and benefits in deciding whether to modify the proposed rules on adoption. All comments should refer to Project Number 54584.

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

1. What are the advantages and disadvantages of enshrining an exceedance tolerance for magnitude and duration in the commission's rule?
2. Should the exceedance tolerance be evaluated more frequently than the reliability standard? If so, what is the appropriate frequency?

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 rule 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; §39.159(b)(1), which directs the commission to ensure that ERCOT establish requirements to meet the reliability needs of the ERCOT region; §39.151(d), which directs the commission to adopt and enforce rules relating to the reliability of the regional electrical network and allows the commission to delegate these responsibilities to an independent organization; §39.151(h), which allows the independent organization to adopt procedures and acquire resources needed to carry out its listed functions, consistent with any rules or orders of the commission; §39.151(i), which allows the commission to delegate authority to ERCOT to enforce operating standards within the ERCOT region; and §39.151(j), which requires market participants in the ERCOT region to observe reliability policies and guidelines established by ERCOT.

Cross Reference to Statute: Public Utility Regulatory Act §§14.001, 14.002, 39.159(b)(1), and 39.151(d), (h), (i), and (j).

§25.508. Reliability Standard for the Electric Reliability Council of Texas (ERCOT) Region.

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

(1) **Exceedance tolerance** -- the maximum acceptable percentage of simulations in which the modeled ERCOT system experiences a loss of load event that exceeds the threshold for a given metric of the reliability standard.

(2) **Loss of load event** -- an occurrence when the system load is greater than the available resource capacity to serve that load, resulting in involuntary load shed.

(3) **Transmission operator** -- as the term is defined in the ERCOT protocols.

(4) **Weatherization effectiveness** -- the assumed percentage reduction in the amount of weather-related unplanned outages for thermal generation resources included in the model, due to compliance with the weatherization standards in §25.55 of this title (relating to Weather Emergency Preparedness).

(b) **Reliability standard for the ERCOT region.** The bulk power system for the ERCOT region meets the reliability standard if an ERCOT model analysis finds that the system meets each of the criteria provided in this subsection.

(1) **Frequency.** The expected loss of load events for the ERCOT region must be less than 0.1 days per year on average, i.e., 0.1 loss of load expectation (LOLE).

(2) **Duration.** The maximum expected length of a loss of load event for the ERCOT region, measured in hours, must be less than 12 hours, with a 1.00 percent exceedance tolerance.

(3) **Magnitude.** The expected highest instantaneous level of load shed during a loss of load event for the ERCOT region, measured in megawatts, must be less than the maximum number of megawatts of load shed that can be safely rotated during a loss of load event, as determined by ERCOT, in consultation with commission staff and the transmission operators, with a 0.25 percent exceedance tolerance.

(c) **Reliability assessment.**

(1) **ERCOT's assessment.** Beginning January 1, 2026, ERCOT must initiate an assessment to determine whether the bulk power system for the ERCOT region is meeting the reliability standard and is likely to continue to meet the reliability standard for the three years following the date of assessment. The assessment must be conducted at least once every five years.

(A) Before conducting the assessment, ERCOT must file a list of proposed modeling assumptions to be used in the reliability assessment for commission review. The proposed assumptions must include:

(i) the number of historic weather years that will be included in the modeling;

(ii) the amount of new resources and retirements, in megawatts, listed by resource type;

(iii) the weatherization effectiveness;

(iv) an update to the calculation for the cost of new entry, including review of the current reference technology; and

(v) any other assumptions that would impact the modeling results, along with an explanation of the possible impact of the additional assumptions.

(B) ERCOT's assessment must include review and analysis of the resource fleet, loads, and other system characteristics for the ERCOT region for the following points in time:

(i) the current year's system configuration;

(ii) the expected system configuration three years from the date of the current year's system analysis; and

(iii) the system configuration three years from the date of the current year's system analysis that would be required to achieve the market equilibrium reserve margin.

(C) The assessment results must include, at a minimum, the following metrics for each point in time:

(i) the LOLE;

(ii) the probability of a loss of load event exceeding the duration threshold established in subsection (b)(2) of this section;

(iii) the probability of a loss of load event exceeding the magnitude threshold established in subsection (b)(3) of this section;

(iv) the expected unserved energy; and

(v) the normalized expected unserved energy.

(D) If the assessment shows that any reviewed systems fall below the reliability standard described in subsection (b) of this section, ERCOT must include

in its assessment recommended changes to components of the ERCOT market design intended to address that deficiency.

(2) **Commission's review of assessment.** ERCOT must file its assessment with the commission. The commission will review ERCOT's assessment to determine whether any market design changes are necessary.

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 13TH DAY OF JUNE 2024 BY THE PUBLIC UTILITY COMMISSION OF TEXAS
ADRIANA GONZALES