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PUC PROJECT NO. 57236

**PROJECT TO DEVELOP THE
TEXAS BACKUP POWER
PACKAGE PROGRAM**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**TCPA’S COMMENTS ON STAFF’S QUESTIONS REGARDING THE TEXAS BACKUP
POWER PACKAGE PROGRAM**

Texas Competitive Power Advocates (“TCPA”)¹ appreciates the opportunity to provide comments on the questions posed by Commission Staff on March 6, 2025, relating to the development of the Texas Backup Power Package (TBPP) program.

TCPA supports efforts to improve reliability and resiliency of the Texas electric grid and maintains this is best achieved through the competitive market. Senate Bill (SB) 2627 (88R) contains several important programs aimed at improving reliability and resiliency, albeit via state intervention, in the Texas Energy Fund (TEF) and the TBPP. The TEF seeks to improve reliability by using state-backed loans and grants to incentivize the construction of additional dispatchable generation resources, while the TBPP seeks to improve resiliency for critical facilities through grants towards backup power systems.

The inclusion of the TEF and TBPP in the same piece of legislation shows that the Legislature intended for these programs to work in concert to meet the state’s priorities. It would therefore follow that the state-subsidized backup generation resulting from the TBPP should not work against the state’s efforts to attract additional investment in dispatchable generation on the bulk power system.

¹ TCPA member NRG has not joined these comments.

RESPONSE TO STAFF QUESTIONS

TCPA's comments are limited to Questions 1A & 1B, answered jointly.

1A. How can the specifications be refined to prioritize cost savings, effectiveness, and affordability for TBPPs without compromising backup power and resilience goals?

1B. How can the features of a TBPP provide added value for a critical facility compared to purchasing and installing a generator set? How can this value be quantified relative to the cost of additional TBPP features?

In determining how to structure the TBPP, it is important to look at the broader context of the legislation in which it was created. Subchapter A of SB 2627 created the TEF to help spur investment in dispatchable generation through loans and bonus completion grants. The Legislature authorized, with voter approval, up to \$7.2 billion towards this goal and set aggressive timelines for construction of new dispatchable generation resources, suggesting an urgent need for investment.

Subchapter B of SB 2627 created the TBPP and the Legislature authorized up to \$1.8B for its implementation. As the Texas Backup Power Package Advisory Committee noted, "The goal is to support critical facilities across Texas in maintaining resilience *during grid outages* through the strategic deployment of backup power systems (emphasis added)."² PURA Section 34.0204(6) recognizes the potential for tension between grid resources and TBPPs, and unambiguously prohibits the use of TBPPs for sale of energy or ancillary services. PURA Section 34.0205(e)(1) further prohibits the Commission from providing a TBPP grant or loan for a "commercial energy

² Texas Backup Power Package Advisory Committee Recommendations, October 1, 2024. https://interchange.puc.texas.gov/Documents/56176_6_1432322.PDF

system.” The TBPP should thus be narrowly tailored to focus on providing backup power service to these critical facilities and not on economic uses of these packages.

The Commission should be mindful of any potential impacts on price formation caused by the TBPP, particularly given the demonstrated need to ensure the correct market signals are being sent for investment in dispatchable generation on the bulk power system. In other words, care should be taken to prevent the state’s investments in the TBPP from undermining the state’s investments in the TEF.

To help ensure these programs operate harmoniously, TCPA recommends that the Commission adopt rules for the TBPP that ensure the backup power assets are not used in a way that is counter to the significant investments made by the state in expanding the bulk power system. For example, economic utilization of TBPP assets could impact market signals and suppress price formation that both TEF-supported and non-TEF generation investments must rely upon for economic viability in an energy-only market design. That is, backup generation can provide resilience and reliability benefits, but frequent and uncoordinated utilization could risk undermining the ERCOT market structure’s only tool for incentivizing investment in bulk power system generation. At any rate, it will be important for ERCOT to coordinate any use of backup generation outside of grid failure to help mitigate the impacts of backup generation on the competitive market.

CONCLUSION

TCPA appreciates the opportunity to provide these comments and looks forward to continuing to work with the Commission, Staff and other stakeholders throughout this project to ensure the Legislature's dual goals of incentivizing new dispatchable generation via the TEF and providing backup power for critical community services where otherwise it would be financially unfeasible.

Dated: April 3, 2025

Respectfully submitted,



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EXECUTIVE SUMMARY OF TCPA COMMENTS

- The State of Texas has made considerable efforts to attract additional investment in dispatchable generation on the bulk power system via the Texas Energy Fund (TEF) and other policy priorities.
- The Texas Backup Power Package (TBPP) program should be narrowly tailored to ensure that state-subsidized backup generation does not work against the state's goal of incentivizing the construction of new dispatchable generation resources.
- Economic utilization of TBPP assets could work in opposition to the TEF and efforts to send the price signals needed for investment in dispatchable generation.
- Any use of TBPP assets outside of grid failure should be coordinated by ERCOT to minimize price formation impacts.