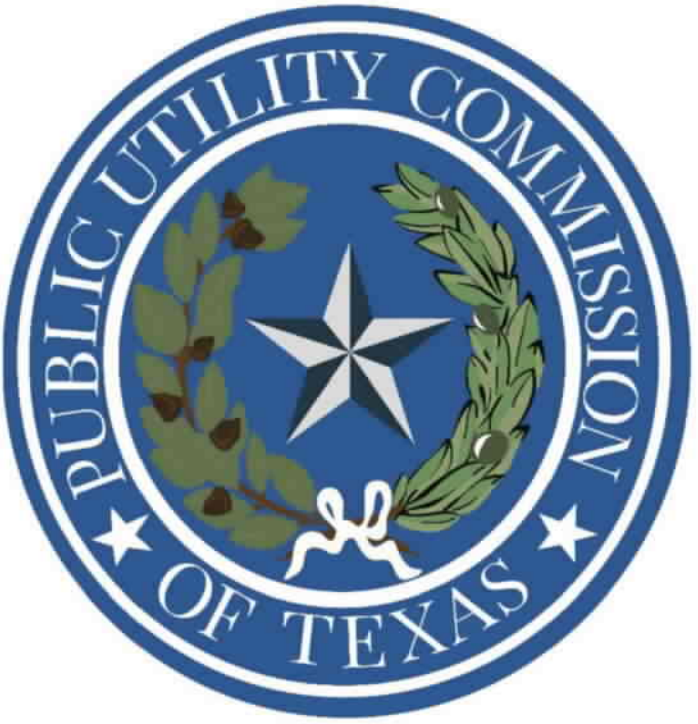

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PROJECT NO. 57374

EXEMPTION PROCESS FOR ERCOT TECHNICAL STANDARDS	§ § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

COMMENTS OF
SOUTHERN POWER COMPANY

Southern Power Company ("Southern Power") respectfully submits these comments in response to the Public Utility Commission of Texas ("Commission" or "PUCT") Staff's ("Staff") recommendations and questions regarding the proposed changes to the Texas Administrative Code ("TAC"), relating to Exemption Process for ERCOT Reliability Requirements ("Exemption Process"). Southern Power, a subsidiary of Southern Company, is a leading wholesale energy provider meeting the electricity needs of municipalities, electric cooperatives, investor-owned utilities, and commercial and industrial customers. Southern Power and its subsidiaries own 55 facilities nationally—including natural gas (56.7% of generating capacity), wind (19.5%), solar (22.5%), battery storage and fuel cells (1.4%)—operating or under development in 15 states with more than 13,000 megawatts ("MW") of generating capacity. Southern Power owns four wind and four solar generation facilities in operation or under development totaling approximately 1,600 MW of generating capacity in the Electric Reliability Council of Texas ("ERCOT") region. Southern Power has a unique perspective as a competitive generation company owning and operating a diverse fleet of generating facilities in multiple power markets across the country and as an affiliate of three retail electric operating companies in the Southeast.[1]

I. INTRODUCTION

Southern Power commends the Commission, the Legislature, and ERCOT stakeholders for the attention devoted to improving the reliability of the ERCOT system for the benefit of Texas' citizens. We also applaud the Commission for addressing such an important policy topic through the rulemaking process. The sharp increase in electricity demand forecasts and the evolving

[1] Alabama Power, Georgia Power, and Mississippi Power are vertically integrated electric utilities regulated by their respective state utility commissions tasked with ensuring reliable, clean, and cost-effective electric service for their citizens. Southern Company has a combined 44,000 MW of generating capacity, including natural gas, coal, nuclear, hydroelectric, wind, solar, battery storage, and fuel cells.

composition of generation and load[2] have prompted other Regional Transmission Organizations ("RTOs") as well as the federally designated Electric Reliability Organization, the North American Electric Reliability Corporation ("NERC"), to prioritize ensuring adequate supply and securing the reliability of electric grids across the country.[3]

ERCOT is perhaps the most dynamic region in the nation, with over 150 gigawatts ("GW") of load forecasted for summer 2030,[4] a generator interconnection queue of 380 GW,[5] and a Large Load queue of 81 GW.[6] ERCOT has also been a leader amongst RTOs in promulgating new rules and standards addressing current and future reliability needs, especially regarding Inverter Based Resource ("IBR") performance.

As an active participant in NERC and RTO stakeholder processes and an IBR owner / operator with extensive experience assessing the performance of its IBR facilities during grid disturbance events, Southern Power has a unique perspective on the pace and stringency of comparable reliability standards emerging across the country and the opportunities and challenges facing IBR owners in maximizing ride-through performance capabilities. This perspective - along with our history of prioritizing safety, reliability, and constructive policy engagement - informs our comments shared below.

Southern Power was an active and constructive participant throughout the entirety of the Nodal Operating Guide Revision Request 245 ("NOGRR 245") process - participating and

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[2] For example, Georgia Power revised its 2022 Integrated Resource Plan to reflect significant higher forecasted electricity demand in late 2023 due to the rapid pace of economic expansion and consumer power growth in the southeast (see: https://www.georgiapower.com/content/dam/georgia-power/pdfs/company-pdfs/2023-irp-update-main-document.pdf) and subsequently released its 2025 Integrated Resource Plan reflecting additional growth expectations (see: 2025-Integrated-Resource-Plan.pdf). Trends across the nation show a higher appetite for energy to power the digital economy. For instance, the U.S. Department of Energy recently issued its 2024 Report on U.S. Data Center Energy Use, which estimates that data center load growth has tripled over the past decade and is projected to double or triple by 2028.

[3] See NERC Long-Term Reliability Assessment (https://www.nerc.co/pa/RAPA/ra/Pages/default.aspx).

[4] See page ii of ERCOT's 2024 Regional Transmission Plan ("RTP"), which is available at https://www.ercot.com/mp/data-products/data-product-details?id=pg7-048-m. The 2030 summer peak load forecast is a 35.7% increase over the 2029 load forecast in the 2023 RTP.

[5] See the December 2024 Generator Interconnection Status Report, which is available at https://www.ercot.com/mp/data-products/data-product-details?id=PG7-200-ER. The 380 GW of resources are at different milestone points of ERCOT's generation interconnection study process and are made up of natural gas resources (7.3%), wind generation resources (9.1%), solar generation resources (40.7%), and battery energy storage resources (42.1%).

[6] See slides 3 and 4 of the "Large Load Interconnection Status Update" presentation, which was discussed at the Technical Advisory Committee meeting on January 22, 2025, and is available at https://www.ercot.com/calendar/01222025-TAC-Meeting-_-Webex.

presenting in stakeholder meetings,[7] submitting written comments and redlines separately and with the Joint Commenters group, [8] and advocating directly with ERCOT staff, Commissioners and Commission Staff. The final version of NOGRR 245, which the Commission approved at its September 26, 2024 meeting, is the result of an almost two-year process that balances the needs of all stakeholders and represents a significant step forward in advancing IBR performance and mitigating reliability risk posed by grid disturbances. The double-pronged approach to require all IBRs to maximize capabilities via software-based modifications and to establish higher standards for new interconnecting generators places ERCOT at the forefront of the nation addressing these important issues.

While the Exemption Process is intended to apply more broadly than IBRs ("market participants in the ERCOT region that are required to comply with reliability requirements"), it is evident that its primary objective is to effectuate a NOGRR 245 "phase 2" and, if enacted on the current timeline, its first use case will be to evaluate and potentially deny applications for IBR ride-through exemptions. Southern Power believes the process as currently conceived and drafted creates unintended negative consequences for the following reasons:

1. The proposed Exemption Process is premature.
2. The proposed Exemption Process is bad policy that creates significant regulatory uncertainty and potential legal implications.
3. Any future Exemption Process should be consistent with national standards.
4. Exemption Process language is often vague, and its broader applicability is questionable.

The Proposed Exemption Process is premature

The proposed Exemption Process presumes that sufficient information exists to evaluate reliability risk and that commercially reasonable and available technology exists to modify all legacy IBRs in a short timeframe to meet the new ERCOT standard. Generation Owners ("GOs") are actively working with Original Equipment Manufacturers ("OEMs") and engineers to assess

[7] See the "NOGRR245 Presentation_Southern Power_2023-3-10" presentation which was discussed at the IBR Task Force meeting on March 10, 2023, and is available at https://www.ercot.com/calendar/03102023-IBRTF-Meeting-_-Webex.

[8] See NOGRR 245 comments, which are available at https://www.ercot.com/mktrules/issues/NOGRR245#keydocs, filed by Southern Power, Joint Commenters, and Joint Commenters 2.

current and potential maximized IBR capabilities. This assessment is particularly complex for legacy IBRs, which were designed without knowledge of NOGRR 245 requirements.

For IBR facilities with a signed Interconnection Agreement ("IA") on or before August 1, 2024, that are unable to meet the new ride-through requirements specified in NOGRR 245 by December 31, 2025, an IBR owner must submit capability reports and either an extension request or a notice of intent to request an exemption by April 1, 2025. GOs subsequently have until the end of 2025 (and possibly 2027 with extension) to implement maximized capabilities in the field.

Southern Power, in coordination with its inverter OEMs, has preliminarily identified potential software-based modifications that may enhance ride-through capabilities at several of its legacy IBRs. However, these modifications are not yet commercially available. We still do not fully know (1) whether these potential modifications will become implementable, (2) the timeline for implementation of viable modifications, and (3) the extent to which IBR capabilities will be enhanced by such modifications. Southern Power remains committed to continued coordination with its inverter OEMs and will implement any applicable software-based modifications if and when they become available. However, processing exemption applications that may result in the retirement of significant generation resources before the information and technology exist to meet the new standards puts the cart before the horse. ERCOT will be depending on a moving baseline (including the IBR fleet's improved capabilities enabled by phase 1 and any residual system reliability risk) and attempting to work with incomplete information for several years before they can accurately "assess the ERCOT system to determine whether an exemption granted to one resource or several resources would adversely affect ERCOT system reliability" as proposed in the Exemption Process.

The proposed Exemption Process is bad policy that creates significant regulatory uncertainty and potential legal implications

The electric industry relies on certainty and consistency to effectively operate and invest in generation resources to meet ERCOT's increasing appetite for power. OEMs need certainty to design, develop, and market new technologies and to forecast the lifecycle of a product. Project developers, GOs, and load entities need certainty to optimize investment decisions and to reasonably predict the return of and on capital through the long life of their assets. Larger and more experienced industry participants also need consistent standards to efficiently scale their

businesses to multiple markets from the same platform. Any market presenting outlier risk, especially unpredictable regulatory policy risk, deters new investment.

The proposed Exemption Process would introduce a paradigm shift via the imposition of retroactive rules on market participants when compliance is not technically feasible, which contravenes PUCT Substantive Rules[9] and Texas law.[10] Texas law prohibits the retroactive application of law that impacts vested property rights, and this includes new regulations issued by an administrative agency.[11] Additionally, retroactive application of regulations that could limit or force the retirement of existing generation resources would create significant regulatory uncertainty for asset owners who must consider the potential imposition of cost-prohibitive retrofits for future unknown policy changes when making large capital investment decisions. Inserting new after-the-fact requirements without consideration of technical feasibility to meet such requirements would have a chilling effect on future generation and load investments, may force a legacy resource to prematurely retire rather than make a commercially unreasonable investment leading to increased resource adequacy risk on the ERCOT system,[12] and would negatively impact economic development in Texas.

IBRs are not the only market participant type that is exposed to the above risks. For example, nuclear generation resources are exempt from providing Primary Frequency Response to support the arrest of system frequency following frequency disturbances[13] and ERCOT has proposed the establishment of voltage ride-through requirements for Large Loads and may do so

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[9] See 16 Texas Administrative Code Section 25.503(f)(2)(C) ("A **market participant may be excused from compliance** with ERCOT instructions or Protocol requirements only if such non-compliance is due to communication or **equipment failure beyond the reasonable control of the market participant**; if compliance would jeopardize public health and safety or the reliability of the ERCOT transmission grid, or create risk of bodily harm or **damage to the equipment**; if compliance would be inconsistent with facility licensing, environmental, or legal requirements; if required by applicable law; or for other good cause.") (emphasis added).

[10] The general prohibition on retroactive rulemaking is based on Article 1, Section 16 of the Texas Constitution ("No bill of attainder, ex post facto law, retroactive law, or any law impairing the obligation of contracts, shall be made").

[11] *See Subaru of America, Inc. v. David McDavid Nissan, Inc*, 84 S.W.3d 212, 219 (Tex. 2002).

[12] The ERCOT Capacity, Demand and Reserves ("CDR") report for the 2025 – 2029 time period shows negative 32.4% and 26.8% planning reserve margin values for the summer and winter of 2029, respectively. While further policy discussions are likely to occur on the process of reporting future load forecasts, this report corroborates increasing resource adequacy risk that is occurring across the country. The 2025 – 2029 CDR report is located on the Resource Adequacy page of the ERCOT website, located at https://www.ercot.com/gridinfo/resource.

[13] See paragraph (1) of Section 2.2.8 of the Nodal Operating Guide ("All Generation Resources … **except nuclear-powered Resources** …, must respond to frequency disturbances with a Governor droop as specified in Section 2.2.7, Turbine Speed Governors.") (emphasis added).

again in the future.[14] The risk of making an asset worth hundreds of millions to billions of dollars obsolete due to changing regulatory requirements presents untenable risk that will chill investment in the state. Southern Power is not opposed to the imposition of a new regulatory requirement on legacy resources; however, such a requirement must be carefully crafted to allow a resource to meet the new requirements to the best of its abilities while accounting for the technical and commercial limitations of existing equipment.

And, importantly, ERCOT is not powerless to maintain reliability absent retroactively applying new reliability standards to existing resources. ERCOT has inherent authority to disconnect generation resources that demonstrate reliability risk. The proposed Exemption Process that sets up applying resources to fail due to the lack of existing information and technology paints with too broad a brush. Public policy should not produce a known negative consequence in favor of protecting from speculative future harm that can be remedied by other means.

Any future Exemption Process should be consistent with national standards

As referenced above, NERC is actively advancing numerous IBR standards under FERC Order 901 directives. In November 2024, NERC submitted Reliability Standard PRC-029-1 (Frequency and Voltage Ride-through Requirements for Inverter-Based Resources) to FERC for approval. PRC-029-1 proposes allowing legacy IBRs to obtain an exemption to ride-through requirements if hardware replacements would be necessary to comply. There are no requirements for IBR owners to submit complex reports or for transmission operators to perform elaborate studies to determine whether to grant or deny exemption requests. The IBR owner must simply submit a data-backed and verified exemption statement documenting the limitations.

ERCOT has already gone faster[15] and farther than the rest of the country with the IBR performance standards in NOGRR 245. For the sake of certainty and consistency, Southern Power urges the Commission to align with the developing national standards regarding the Exemption

[14] NOGRR 256, which is available at https://www.ercot.com/mktrules/issues/NOGRR256, was withdrawn on May 28, 2024. For more background on Large Load loss / reduction events, see the "ERCOT Large Load Events_PDCWG_19Nov2024" presentation that was presented at the November 2024 ERCOT Performance, Disturbance, Compliance Working Group meeting.

[15] For comparison purposes, NERC has proposed a phased-in compliance period for IBRs to operationally comply with the proposed PRC-029-1 Reliability Standard between 2028 to 2030, and an exemption request deadline that is likely to occur sometime in 2027.

Process. If the Commission determines that ERCOT needs a more aggressive posture than other regions, Southern Power encourages consideration of alignment with FERC's proposed response to the filed PRC-029-1. In its December 19, 2024 Notice of Proposed Rulemaking ("NOPR"), FERC proposes to direct NERC to develop and submit two information filings 12 and 24 months after the conclusion of NERC's exemption request period. This approach will allow FERC to assess the volume of exemptions and ultimately determine the efficacy of the Reliability Standard. The Commission could easily adopt this same approach, simultaneously addressing the premature nature of the proposed Exemption Process discussed above and creating consistency with action on the national stage.

Exemption Process language is often vague, and its broader applicability is questionable

Southern Power urges the Commission to follow recommendations discussed above regarding this rule's premature timing and consistency with national standards. However, if the Commission believes it necessary to continue this rulemaking on the current schedule and with the current draft as its template, Southern Power has the following observations and recommendations for specific language improvements. All citations by paragraph number:

- (a) Application – "a resource that existed before the date a reliability requirement takes effect". The term "existed" could have numerous interpretations. Southern Power recommends clarification by referencing an executed IA date or some other commonly used milestone date.
- (b)(2) – Is a "reliability requirement" easily identifiable by all parties? As a starting point the Commission should direct ERCOT to identify all current reliability requirements and to document the process by which future reliability requirements are identified, developed, approved, modified, etc.
- (b)(5) Unacceptable reliability risk – what is the basis for this list and are the identified megawatt thresholds correctly calibrated for ERCOT's system? Is it tied to the NERC definition? The Commission should direct ERCOT to provide technical justification for each criterion and ensure that the criteria are appropriately scaled for the ERCOT system. At the very least, the Commission should require that the loss of generator capacity and loss of load values align with other instances of these values in ERCOT binding documents. For example, why is the loss of 300 MW of load a proposed threshold for unacceptable reliability risk, while

Planning Guide Revision Request ("PGRR") 122, which is currently being evaluated in the ERCOT stakeholder process, proposes to establish a new reliability performance criterion that no more than 1,000 MW of load may be lost for any single contingency?[16] What is the justification for the proposed 500 MW loss of generation as an unacceptable reliability risk as opposed to other, more relevant NERC reliability criteria (such as ERCOT's Most Severe Single Contingency or Interconnection Frequency Response Obligation) for ensuring appropriate frequency response and balance of energy supply and demand?

- (b)(5)(E) – "unknown or unverified limitation" is very vague and open ended. Southern Power has concerns this clause could be misinterpreted or misused and proposes the language be struck.
- (c)(3) – "***all*** technically feasible modifications, replacements, or upgrades the market participant could implement" is an overreaching requirement and could be interpreted to include mandating the evaluation of and inclusion in an exemption request the construction of an entirely new resource. Additionally, it is impractical for OEMs and GOs to study any and all possible modifications, so if this sentence remains, Southern Power suggests adding qualifiers such as "all **known** technically feasible **and commercially reasonable and available** modifications, replacements, or upgrades**, when applied to existing equipment,** the market participant could implement". Southern Power recommends that the GO should make the determination of commercial reasonableness of potential modifications and that identified modifications meeting the above criteria would be included in an exemption request, with further oversight from the Commission upon appeal of denied requests.
- (c)(4) – providing estimated cost with line-item descriptions for "all" is not practical and thus Southern Power recommends the above changes to (c)(3). *Also, see responses to Staff questions below regarding excluding cost concepts.*
- (c)(5) – potentially a redundant requirement, especially in the context for IBRs in NOGRR 245 context. If this sentence remains, Southern Power recommends specifying that models may be provided to ERCOT via ERCOT's relevant model rules and submission processes, to avoid ambiguity if a market participant must submit a model package to ERCOT multiple times.

[16] The 1,000 MW threshold is derived from ERCOT reliability studies performed for the Southern Cross Direct Current Tie project. At the February 2025 Reliability & Operations Subcommittee meeting, ERCOT staff confirmed that it was planning to conduct an updated study to evaluate this threshold and if any changes were appropriate.

- (c)(6) – similar to (c)(5) above, Southern Power is concerned that ERCOT may already require this information via its binding rules. Southern Power recommends specifying that (c)(6) information is required to be provided unless previously submitted to ERCOT pursuant to relevant ERCOT rules. Additionally, a market participant may not have a technically feasible and commercially viable modification to implement and thus would not have a plan to comply with the applicable reliability requirement. Southern Power recommends modifying paragraph (c)(6) as follows: "a plan to comply with each specific element of the applicable reliability requirement to the maximum extent possible **or an explanation, with corresponding technical documentation, of the market participant's inability to comply due to the unavailability of technically feasible and commercially reasonable and available modifications applicable to existing equipment**."
- (c)(8) – "history of violations" could be fluid or disputable. Southern Power recommends adding "as confirmed by completed ERCOT and/or PUCT processes" to achieve clarity.
- (d)(1) – the "may" consider costs here is troubling, as financial analysis of potential capital investments for generation and load resources is outside the purview and expertise of ERCOT. Southern Power recommends the removal of ERCOT's authority to consider the estimated total cost of a modification in its assessment of exemption requests. Cost issues should clearly be in the purview of the Commission on appeal from a denied exemption request. *See responses to Staff questions below regarding excluding cost concepts.*
- (d)(1)(A through H) – There needs to be a transparency and information sharing requirement for all assumptions, data, and models used for each step of the exemption assessment process.
- (d)(1)(G) – The impact of new resources could be a net positive or negative to an existing resource. If negative, it should be clear that the existing resource is not penalized.
- (d)(1)(H) – "any other information" is very vague and open ended. Southern Power has concerns this clause could be misinterpreted or misused, and we propose striking.
- (g)(1) – "modification covered by the ERCOT planning guide section related to Generator Commissioning and Continuing Operations" is too open ended. Southern Power recommends that an exemption should continue to be valid unless the modification includes replacement of the specific equipment with the underlying limitation that prevented the resource from meeting the applicable reliability requirement.

- (g)(2) – "materially changed" is very open ended when associated with "system conditions". Southern Power recommends adding specific parameters so that material changes are directly associated and impactful to the resource in question.
- (h) – the limit of two exemptions from the same reliability requirement for a resource is arbitrary and unnecessarily limiting. There are a wide variety of scenarios over the life of a resource that may warrant additional exemptions.

II. RESPONSE TO STAFF QUESTIONS

1. Should the concept of feasibility include a cost component?

No. Introducing cost and any type of financial analysis creates the potential for unnecessary subjectivity in the Exemption Process and is outside the scope of ERCOT's authority and expertise. Costs may vary widely depending on each market participant's particular negotiating power and in-house or contracted expertise and capabilities. Additionally, each market participant's economic analysis may vary widely based on specific project financing, accounting, and contractual attributes. For these reasons, it is extremely difficult to determine an acceptable proxy cost threshold across differently situated market participants and resources.

ERCOT's assessment of exemption requests should be limited to evaluation of the technical capabilities and limitations of resources relative to the defined reliability risk criteria. Southern Power recommends that exemption requests should be accepted for legacy resources that are unable to meet a relevant reliability requirement without making physical modifications to equipment as long as the resource owner provides sufficient technical documentation describing the equipment limitation(s).[17] In addition, the PUCT could mandate that ERCOT provide future informational filings relating to the scope of approved exemptions from a reliability requirement to understand the potential impact of those exemptions and whether further actions were necessary.

[17] This approach would be consistent with how NERC generally determines the application of new Reliability Standards for which there are technical feasibility limitations for legacy resources (see PRC-029-1 as an example).

To the extent that Staff determines it is prudent to move forward with an Exemption Process using the current proposal as a framework, ERCOT's assessment of exemption requests should be limited to evaluation of the technical capabilities and limitations of resources relative to the defined reliability risk criteria. On appeal from a denied exemption request, the PUCT, which does have the resources and expertise to evaluate economic considerations, can and should take costs into account in its review. While financial evaluation of potential capital investments is outside the expertise of ERCOT and would only introduce subjectivity into ERCOT's review process, the PUCT is better suited to consider the expected costs of potential modifications in its holistic review of an appeal of a denied exemption request. The rule should specify that the PUCT on appeal can take evidence on commercial viability in its review, including relevant cost information, and not strictly be limited to the technical information submitted to ERCOT.

2. **How should the rule distinguish between ERCOT reliability requirements that should and should not allow for an exemption?**

A rule written at this high level with potential broad applicability over a long period of time should not attempt to make distinctions between reliability requirements that should and should not allow for an exemption. The rule should be written with the premise that all reliability requirements may allow for exemptions and that such exemption requests will be evaluated based solely on the objective facts and rigorous, unbiased analysis for each market participant's situation and the ultimate impact on reliability.

3. **How should ERCOT evaluate cost in comparison to the reliability risk that an unmodified resource may pose to the grid?**

See #1; cost should not be a factor under ERCOT's purview. The current wording in paragraph (d)(1) states "The assessment ***may*** consider the estimated total cost..." introduces a great deal of uncertainty for both ERCOT and the market participant seeking an exemption. Requiring a market participant to perform extensive work providing estimated costs (as currently suggested in paragraph (c)(4)), only for ERCOT to then potentially opt to ignore cost as a factor is setting the table for disputes and appeals at the

Commission. The Exemption Process will be much more credible if it focuses solely on technical limitations and capabilities and objectively analyzes those relative to reliability risks and allows the Commission to evaluate cost implications on appeal of the ERCOT denial.

4. **Under subsection (g)(1), an exemption is no longer valid if the market participant makes a modification covered by the ERCOT planning guide section relating to Generator Commissioning and Continuing Operations. Is this a reasonable threshold for considering a resource modified to the extent that it is no longer the same resource that was granted an exemption? If not, what is a reasonable threshold?**

As currently written, the threshold language is too vague and open ended. If written more clearly and precisely, the planning guide threshold could serve as a reasonable standard for identifying resource modifications; however, an exemption should continue to be valid unless the modification includes replacement of the specific equipment with the underlying limitation that prevented the resource from meeting the applicable reliability requirement.[18] To avoid ambiguity, any approved exemption should specify the exact equipment and/or components that create the limiting factors necessitating the exemption. Then, the process can leverage language in Planning Guide 5.2.1 (c)(ii) and more easily reconcile equipment and/or components included in Qualified Change requests with those like equipment and/or components identified in the approved exemption.

III. CONCLUSION

Southern Power greatly appreciates the opportunity to participate in this Project and provide these comments as the Commission sets policy for the future. The challenges facing ERCOT are not entirely unique; RTOs and bilateral markets across the nation are experiencing similar challenges as the supply and demand mix rapidly evolves and the country returns to a period of substantial load growth. Whatever solutions ultimately may be adopted need to be well-vetted, generally accepted by market participants, and enduring over time to send appropriate

[18] In relation to PRC-029-1, this proposal would align with NERC's proposed management of GO exemptions from meeting IBR ride-through performance requirements. See Requirement 4.3.1 in Errata for Draft 4 of PRC-029-1 ("When existing hardware causing the limitation is replaced, the exemption for that Ride-through criteria no longer applies"), which is located at https://www.nerc.com/pa/Stand/Pages/Project_2020-02_Transmission-connected_Resources.aspx.

signals that ERCOT provides a stable and consistent regulatory and business environment. Robust discourse among the Commission, the Legislature, market participants, and would-be investors are essential to the development of the tools needed for long-term reliability, resiliency, and operational efficiency. Southern Power welcomes any questions the Commission or Commission Staff may have and we look forward to engaging throughout this Project.

Dated: February 18, 2025

Respectfully submitted,

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PROJECT NO. 57374

EXEMPTION PROCESS FOR ERCOT TECHNICAL STANDARDS	**§**	**PUBLIC UTILITY COMMISSION**
	§	
	§	**OF TEXAS**

EXECUTIVE SUMMARY OF COMMENTS OF SOUTHERN POWER COMPANY

- Southern Power recommends that exemption requests should be accepted for legacy resources that are unable to meet a relevant reliability requirement without making physical modifications to equipment as long as the resource owner provides sufficient technical documentation describing the equipment limitation(s).
- The proposed exemption process is premature and would be imprudent given that the post-NOGRR 245 phase 1 residual system reliability risk is currently unknown and unknowable.
- A better time horizon for implementation of an exemption process for IBR Ride-Through Requirements would follow the NOGRR 245 timeline to implement maximization.
- Any future exemption process should be consistent with national standards, in particular the exemption criteria laid out in NERC Reliability Standard PRC-029-1 (Frequency and Voltage Ride-through Requirements for Inverter-Based Resources).
- The proposed Exemption Process language needs further refinement:
    - Clarifying the criteria that determines eligible resources that may seek an exemption (such as an IA date executed before the effective date of the reliability requirement) and the definition of a reliability requirement.
    - Justifying the proposed reliability risk assessment criteria.
    - Narrowing the scope of modifications that must be assessed and included in an exemption request.
    - Revising the scope of ERCOT's assessment of an exemption request to focus on the technical capabilities and limitations of resources relative to the reliability risk criteria. The PUCT may consider the expected cost impact of proposed modifications in its assessment of a market participant's appeal of a denied exemption.
- The proposed Exemption Process is bad policy that creates significant regulatory uncertainty and potential legal implications.