

Item 5.1: Update on CPS Energy Reliability Must-Run (RMR) and Must- Run Alternative (MRA) Process

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Board of Directors Meeting

ERCOT Public

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Overview

- **Purpose**

Highlight the pending Reliability Must-Run (RMR) and Must-Run Alternative (MRA) processes and a risk-management evaluation ERCOT is conducting regarding potential pre-RMR outages

- **Voting Items / Requests**

No action is requested of the ERCOT Board; for discussion only

- **Key Takeaway(s)**

- Analysis identified ERCOT System performance deficiencies that would be materially impacted by the indefinite suspension of CPS Energy's V.H. Braunig Generation Resources, units 1-3
- At October meetings, R&M Committee and ERCOT Board will start to evaluate recommendations on whether to approve one or more agreements for RMR or MRA Service to address these performance deficiencies
- ERCOT is evaluating whether at least one of the Braunig Resources should be inspected and potentially repaired before the proposed suspension date of March 31, 2025

Notices of Suspensions of Operation (NSOs)

Resource	Summer Max Rating	Year in Service
BRAUNIG_VHB1	217 MW	1966
BRAUNIG_VHB2	230 MW	1968
BRAUNIG_VHB3	412 MW	1970

- NSOs for indefinite suspension were received on March 13, 2024
- Triggered a reliability analysis under Public Utility Commission of Texas (PUC) rule 25.502(e) and ERCOT Protocols § 3.14.1.2
- The reliability analysis found ERCOT System performance deficiencies affected by suspension of the Braunig Resources:
 - Transmission facilities loaded above their normal rating under pre-contingency conditions
 - Transmission facilities above 110% emergency loading
 - Cascading under study conditions specified in ERCOT Protocols § 3.14.1.2(3)(c)(ii)



Reliability Must-Run (RMR) Process

- The reliability findings triggered the RMR process in which ERCOT and CPS Energy negotiate potential provision of RMR Service by one or more of the Braunig Resources
- ERCOT Protocols specify RMR requirements, including Eligible Costs, settlement, contract terms, and development of an exit strategy
- RMR Contracts are not intended to address long-term system needs, and are generally limited to up to 1 year; one exception is when significant capital expenditure is required to ensure availability to continue operating the RMR Unit
- CPS Energy has submitted information regarding estimated costs of providing the RMR service, including estimated standby costs for running each unit for one or two more years
- These estimated costs are expected to change

Must-Run Alternative (MRA) Process

- The reliability findings also triggered a simultaneous process to seek lower-cost alternatives (MRAs) to RMR Service
- An open Request for Proposal (RFP) is pending, and key dates include:

Wednesday, August 21, 2024	ERCOT Notice of Amendments to MRA RFP and Other Related Documents
Monday, September 9, 2024 (3:00 PM CPT)	QSE MRA Proposals Due
Tuesday, October 1, 2024	QSE Deadline to Withdraw an MRA Proposal
Wednesday, October 9, 2024	Consideration and Possible Action at ERCOT Board Reliability & Markets (R&M) Committee Meeting
Thursday, October 10, 2024	Consideration and Possible Action at ERCOT Board Meeting
As soon as feasible if and after ERCOT Board approval	Contract execution

RMR and MRA Processes

- An MRA may be one or an aggregation of sites in areas that provide congestion relief on the transmission facilities subject to the South Texas Export Interconnection Reliability Operating Limits (IROLs)
- An MRA can be any of the following:
 - Generation Resource
 - Energy Storage Resource
 - Other Generation (including Settlement Only Generators and Distributed Generation)
 - Demand Response
- The ERCOT Board decides whether to enter into any RMR or MRA agreements
 - ERCOT Staff must recommend to the ERCOT Board whether to enter into such agreements based on potential costs and risks

Potential Pre-Suspension Inspection and Repair

- CPS Energy has informed ERCOT that planned outages, inspections, and associated maintenance and repairs are required before the Braunig Resources may operate after the proposed suspension date of March 31, 2025
- This is based on CPS Energy's operational experience and to address safety and operational concerns with running the units past the life-extension work previously done
 - Estimated time for each Resource, barring unanticipated issues, is 60 days
 - Resources cannot be simultaneously inspected or repaired
- ERCOT is considering whether at least one of the Resources (Unit 3 as the newest and largest) should be inspected and potentially repaired beginning in October, 2024

Potential Pre-Suspension Inspection and Repair

- Earlier inspections could:
 - Provide better cost estimates of RMR Service to the ERCOT Board if an RMR/MRA decision is made this winter
 - Mitigate risk of the Braunig Resources being unavailable in Summer 2025 and beyond if the ERCOT Board determines RMR Service is appropriate
- PUC has been informed of this risk-management matter – ERCOT’s most recent filing is [here](#) (55999-53)
- A PUC good cause exception may be necessary for deviations from the Protocols
- CPS Energy states the deadline to contract for any inspections and repairs in October is the end of this month (August)

Potential Pre-Suspension Inspection and Repair Costs

- CPS Energy's estimates include outage costs, life-extension costs, and opportunity cost for each Braunig Resource:

Estimated Pre-RMR Outage, Pre-RMR Life Extension, and Lost Opportunity Costs

Braunig Unit	Estimated Pre-RMR Outage Cost	Estimated Pre-RMR Life Extension Cost*	Estimated Pre-RMR Lost Opportunity Cost
Unit 1	\$9,695,000	\$4,515,000	\$3,105,111
Unit 2	\$9,065,000	\$6,574,000	\$2,400,007
Unit 3	\$10,950,000	\$4,515,000	\$6,533,392
Total Unit Costs	\$29,710,000	\$15,604,000	\$12,038,510

- The Protocols provide for payments for outages and capital investments made during RMR Service
- Opportunity costs are not contemplated in the Protocols because, during RMR Service, the Resources would have been suspended but for the RMR agreement

Next Steps

ERCOT staff will

- continue to work with CPS Energy on the pre-RMR costs, including methodology on lost opportunity costs
- Prepare additional reliability analysis to show probability of increased risk (including load shed) without Braunig Resources
- Provide another update at the PUC's August 29 Open Meeting