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| NPRR Number | [1247](https://www.ercot.com/mktrules/issues/NPRR1247) | NPRR Title | Incorporation of Congestion Cost Savings Test in Economic Evaluation of Transmission Projects |
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| Date | | October 3, 2024 | |
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| Market Segment | | Investor-Owned Utilities (IOU) | |

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| Comments |

AEPSC appreciates the opportunity to provide comments in support of Nodal Protocol Revision Request (NPRR) 1247. Additionally, we appreciate the work of ERCOT and Energy + Environmental Economics, Inc. (E3) to develop the new congestion cost savings test required by the Texas Legislature in Senate Bill (SB) 1281 and the Public Utility Commission of Texas (PUCT) in the most recent revision of 16 Texas Administrative Code (TAC) § 25.101 in Project No. 53403. We agree with ERCOT that there is need for this revision to progress timely to allow the use of this new congestion cost savings test in the next Regional Transmission Plan and for it to be used expeditiously in the review of economically-driven Regional Planning Group (RPG) project submittals. The specific comments offered are organizational edits for language clarity. AEPSC is not proposing changes to the actual test that ERCOT and E3 have devised.

It is our observation that the language in paragraphs (5) and (6) as proposed by ERCOT in NPRR1247 appears confusing and could be seen to conflate the production cost savings test and the congestion cost savings, or to suggest that the congestion cost savings is dependent upon the outcome of the production cost savings. While it may be ERCOT’s intention, as a practical matter, to run one test and then only run the other test if a project didn’t pass the first test, AEPSC believes that the final outcome in PUCT Project No. 53403 was clear that the production cost savings and congestion cost savings tests are separate, stand-alone tests, and that a project need only pass one of the two tests. It is AEPSC’s understanding that ERCOT will build one model that will be used to evaluate economic criteria for both the production cost savings and the congestion cost savings. Based on that, AEPSC offers language, below, to have paragraph (5) describe the model that will be built and used, and then to have paragraphs (6) and (7) address the specifics of the production cost savings and congestion cost savings, respectively.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

3.11.2 Planning Criteria

(1) ERCOT and Transmission Service Providers (TSPs) shall evaluate the need for transmission system improvements and shall evaluate the relative value of alternative improvements based on established technical and economic criteria.

(2) The technical reliability criteria are established by the Planning Guide, Operating Guides, and the North American Electric Reliability Corporation (NERC) Reliability Standards. ERCOT and TSPs shall strongly endeavor to meet these criteria, identify current and future violations thereof and initiate solutions necessary to ensure continual compliance.

(3) ERCOT shall attempt to meet these reliability criteria as economically as possible and shall actively study the need for economic projects to meet this goal.

(4) For economic projects, the net economic benefit of a proposed project, or set of projects, will be assessed over the project’s life based on the net benefit that is reasonably expected to accrue from the project as demonstrated through the production cost savings test or the congestion cost savings test.

(5) The current set of financial assumptions upon which the revenue requirement calculations is based will be reviewed annually, updated as necessary by ERCOT, and posted on the Market Information System (MIS) Secure Area. The expected costs are based on a chronological simulation of the security-constrained unit commitment and economic dispatch of the generators connected to the ERCOT Transmission Grid to serve the expected ERCOT System Load over the planning horizon. This market simulation is intended to provide a reasonable representation of how the ERCOT System is expected to be operated over the simulated time period. From a practical standpoint, it is not feasible to perform this cost simulation for the entire 30 to 40 year expected life of the project. Therefore, the costs are projected over the period for which a simulation is feasible and a qualitative assessment is made of whether the factors driving the cost savings due to the project can reasonably be expected to continue.

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| ***[NPRR1183: Replace paragraph (5) above with the following upon system implementation:]***  (5) The current set of financial assumptions upon which the revenue requirement calculations is based will be reviewed annually, updated as necessary by ERCOT, and posted on the ERCOT website. The expected costs are based on a chronological simulation of the security-constrained unit commitment and economic dispatch of the generators connected to the ERCOT Transmission Grid to serve the expected ERCOT System Load over the planning horizon. This market simulation is intended to provide a reasonable representation of how the ERCOT System is expected to be operated over the simulated time period. From a practical standpoint, it is not feasible to perform this cost simulation for the entire 30 to 40 year expected life of the project. Therefore, the costs are projected over the period for which a simulation is feasible and a qualitative assessment is made of whether the factors driving the cost savings due to the project can reasonably be expected to continue.. |

(6) To determine the benefit of a proposed project under the production cost savings test, the revenue requirement of the capital cost of the project is compared to the expected savings in system production costs resulting from the project over the expected life of the project. Outputs from the market simulation described in paragraph (5) above will be used to provide an estimate of the expected reduction in total system-wide production cost due to the project. Other adequately quantifiable and ongoing direct and indirect costs and benefits to the transmission system attributable to the project may be considered as appropriate. If the levelized ERCOT-wide annual production cost savings equals or exceeds the first year annual revenue requirement of the transmission project, the project will be deemed to demonstrate sufficient economic benefit and will be recommended.

(7) To determine the benefit of a proposed project under the congestion cost savings test, the revenue requirement of the capital cost of the project is compared to the expected system-wide consumer energy cost reduction resulting from the project over the expected life of the project. Outputs from the market simulation described in paragraph (5) above will be used to provide an estimate of the expected reduction in total system-wide consumer energy cost due to the project. Other adequately quantifiable and ongoing direct and indirect costs and benefits to the transmission system attributable to the project may be considered as appropriate. If the levelized system-wide consumer energy cost reduction equals or exceeds the average of the first three years’ annual revenue requirement for the project, the project will be deemed to demonstrate sufficient economic benefit and will be recommended.