



Item 5.1.1: ERCOT Comments on NPRR1247

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Reliability and Markets Committee Meeting

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Overview

- **Purpose**

Present background and ERCOT recommendation to approve NPRR1247, Incorporation of Congestion Cost Savings Test in Economic Evaluation of Transmission Projects

- **Key Takeaways**

- Statute and Public Utility Commission (PUC) rule require a transmission congestion cost savings test.
- The test included in NPRR1247 was previously discussed with stakeholders during development of options by consultant.
- Additional stakeholder feedback was incorporated during NPRR1247 process.
- Remaining stakeholder concerns cannot be included or are best addressed in subsequent broader revisions to holistic transmission planning process.

Background

Engagement	Activity
Senate Bill 1281	87 th Legislature required the PUC to establish criteria for transmission project approval based on transmission congestion cost savings for consumers
16 Tex. Admin. Code § 25.101	PUC required ERCOT to develop a congestion cost savings test for economic transmission project consideration
E3 Engagement	ERCOT in consultation with PUC Staff utilized a consultant to develop options for a congestion cost savings test
Stakeholder Engagement	E3 solicited stakeholder feedback and recommended a consumer energy cost reduction test as the congestion cost savings test

Key Takeaway: NPRR1247 incorporates a congestion cost savings test in the ERCOT Protocols in accordance with statutory and regulatory requirements.

Background

Economic Criteria

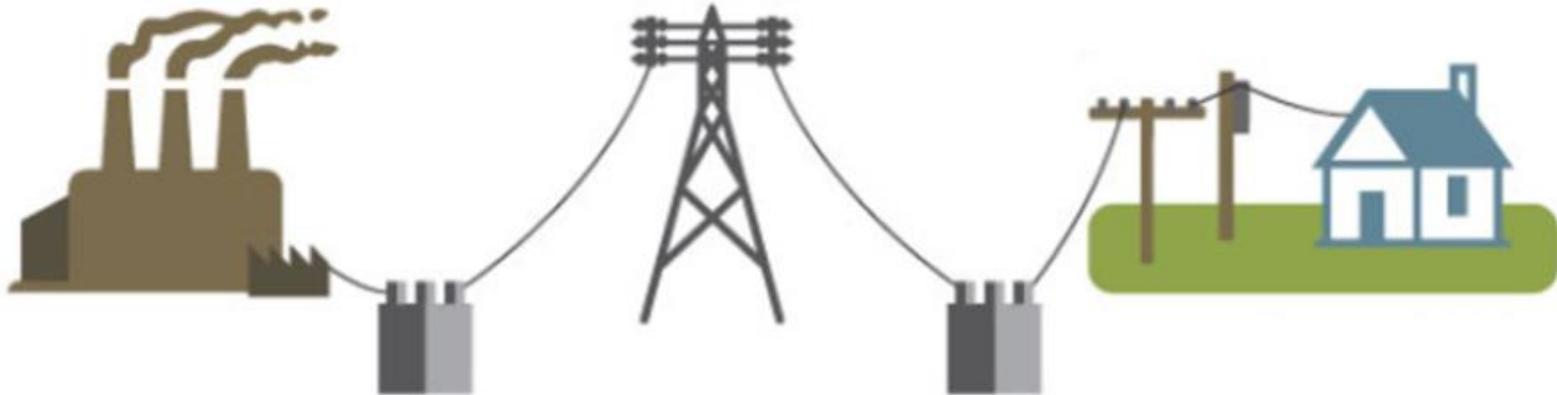
Production cost savings test measures the change in the cost of producing electricity due to transmission additions affecting dispatch

Reliability Criteria

ERCOT Planning Rules and NERC Reliability Standard defined measures to determine ability of the transmission system to move power without reliability violations

Additional Economic Criteria

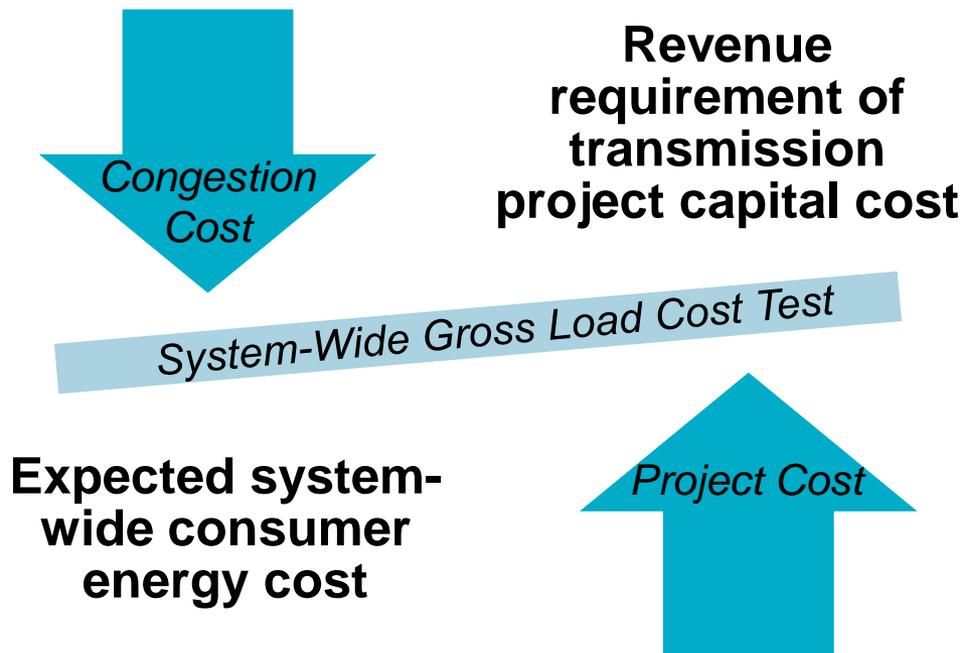
NPRR1247 adds a consumer cost savings test which measures the change in what consumers pay for electricity due to transmission additions affecting dispatch



Key Takeaway: Current planning criteria defines tests to measure reliability and economic benefits. NPRR1247 provides an additional economic test based on congestion cost savings per SB1281 and PUC rule.

NPRR1247 Congestion Cost Savings Test

- Planning criteria for reliability and economically driven transmission projects are included in Protocol § 3.11.2.
- E3 recommended a system-wide energy cost reduction test (System-Wide Gross Load Cost Test) to estimate the impact of new transmission on energy costs to consumers by calculating how it changes the energy cost paid at customer locations



Key Takeaway: Test compares revenue requirement for capital costs of transmission project to system-wide reduction of consumer energy cost due to the project.

Stakeholder Feedback Incorporated

- After posting, stakeholders proposed several revisions to NPRR1247 that ERCOT accepted:
 - Specify that economic benefit simulation projections are for the planning horizon established for the Regional Transmission Plan (RTP)
 - Clarify that a comparison of simulations with and without the project are used to perform the test
 - Make explicit that ERCOT will publish upon stakeholder request additional modeling inputs, assumptions, and outputs utilized in the test if not confidential or infeasibly voluminous
 - Reorganization of Protocol § 3.11.2 and various language clarifications
- Compromise to refer to white papers providing further details of the test in NPRR1247 preamble rather than in Protocol language
- Agreement to defer certain proposed edits with broader planning impacts to subsequent Revision Requests

Key Takeaway: Significant stakeholder feedback was incorporated into revised NPRR1247 and stakeholders agreed to defer other edits not specific to the test.

Comments Overview

Participant	Comment Summary	ERCOT Response
11/15/24 Luminant Comments	Proposed adding a discount factor because congestion cost savings test does not account for impacts to consumer cost of congestion hedging by Load Serving Entities (LSEs)	ERCOT 11/19/24 comments note that E3 acknowledged some but not all congestion hedging returns to consumers, but insufficient information to quantify and therefore cannot be included now. E3 recommended that if such additional data becomes available, ERCOT could consider congestion hedging.
10/18/24 Reliant Comments	Proposed guardrail that generation added to simulation for model to solve (generation must be sufficient to meet the load) could not be sole reason that project meets the test.	Model development impacts all reliability and economic transmission planning criteria, not just congestion cost savings test, and committed to bring a new Revision Request to address holistically.
11/20/24 Shell Discussion at TAC	Concerns expressed over how generation is added to the evaluation model	See ERCOT response to Reliant Comments above.

Key Takeaway: Certain stakeholders prefer to resolve identified concerns in NPRR1247 rather than in a subsequent holistic Transmission planning Revision Request .

Recommendation

ERCOT staff recommends that the R&M Committee and ERCOT Board recommend approval of NPRR1247 as it:

- Complies with statutory and regulatory requirement to add congestion cost savings test to economic transmission project evaluation
- Utilizes the test previously discussed by stakeholders and recommended by E3
- Includes appropriate level of detail in Protocols consistent with preexisting economic criteria (production cost savings test)
- Although additional revisions to holistically address the transmission planning process may be merited, such revisions have impacts beyond the congestion cost savings test and are more appropriately addressed in a subsequent Revision Request that ERCOT has committed to bring in early 2025

Key Takeaway: ERCOT staff recommends approval of NPRR1247 as it appropriately codifies the test required by statute and PUC rule and remaining stakeholder concerns are best addressed in a subsequent holistic Revision Request.