



*Promoting Clean Energy and Economic
Opportunity for All Texans*

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New TCEC-led report finds Texans should be optimistic about ERCOT's ability to ensure uninterrupted electric grid despite anticipated coal plant retirements

AUSTIN – Texans should be optimistic about the state's ability to ensure uninterrupted electric power despite the anticipated retirement of coal-fired generation plants, economists at *The Brattle Group* find in a new report prepared for the Texas Clean Energy Coalition (TCEC).

Released today, the report explores reliability issues that could arise within Electric Reliability Council of Texas (ERCOT) market (which covers 90 percent of the state's electric load); the key drivers of potential coal-fired power plant retirements; the impacts of the potential retirements on reliability; and the options ERCOT may have to mitigate the risks in the short-term and long term.

"New gas and renewable capacity is likely to be added to replace coal plants that retire and to meet additional electricity demand," TCEC Executive Director Elizabeth Lippincott. "As Texas continues this transition from coal-fired power plants to cleaner natural gas and renewable energy, the reliability of the ERCOT grid is important."

According to Brattle Principal and noted energy economist Dr. Ira Shavel, coal-fired power plants are under increasing economic strain that may be too great to overcome due to abundant low cost natural gas and increasing renewable penetration. As a result, electric utilities may decide to shutter number of units, potentially causing local transmission reliability problems.

Over the long run, those concerned about reliability should be optimistic about ERCOT's ability to ensure the uninterrupted functioning of their electric grid.

"While resource adequacy and local transmission reliability concerns are valid, ERCOT has the experience and a variety of tools to address these challenges from the impending coal retirements in Texas," Shavel said. "As Texas continues upon its path to a clean energy future, residents should expect that their electric service will be clean, reliable, and affordable."

The paper explains that ERCOT is currently oversupplied, and the forecasted additions of natural gas and solar generation should provide a cushion to absorb many of the retirements that may occur. In addition, ERCOT's market is designed to, and has to date, effectively dealt with resource adequacy needs; it has the mechanisms in place and the flexibility required in the changing market.

In an extreme scenario, such as a large number of coal plants retiring over a very short period, resource adequacy could be diminished resulting in more frequent scarcity events, but this is unlikely to result in significant customer outages.

The report cites a number of short- and long-term options that could potentially be available to ERCOT to ensure reliability until additional transmission projects can be brought online.

ERCOT has a procedure in place for Reliability Must Run (RMR) contracts to pay a generation unit to remain online to ensure reliability for the short term. This temporary solution is designed to resolve reliability issues until ERCOT is able to identify other short-term options, such as Must Run Alternatives (MRA). The MRA alternatives ERCOT can seek include short-term transmission solutions, local demand response, distributed generation, and short-term contracts with new grid connected generation.

In the long term, new generation resources (gas, wind, solar, and storage), demand-side resources, and transmission upgrades can be developed to resolve the local transmission reliability issues.

Prior Brattle and ERCOT analyses have found that up to 13 GW of new solar capacity may be added by 2022. This report finds that the existing CREZ transmission system may support up to 11 GW of new solar capacity in West Texas.

Since 2013, TCEC has sponsored a series of studies by The Brattle Group to analyze how natural gas and renewable energy might interact in the Electric Reliability Council of Texas (ERCOT) grid in future years, depending on a range of market and regulatory factors.

The final installment in a four-part study, “Reliability Risks Due to Coal Retirement at ERCOT,” is designed to enable state decision makers to chart their own course for the development of the Texas electric market and prevent market distortions that could interfere with the transition to a cleaner electric grid or drive up electric prices for Texas consumers and businesses.

The complete report is available on the TCEC website at www.texascleanenergy.org.

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About the Texas Clean Energy Coalition

The Texas Clean Energy Coalition is an alliance of business and economic development groups, faith-based organizations, the Latino and African-American communities, labor, and academia dedicated to building a clean energy economy that creates jobs and economic growth in the Lone Star State. Its goal is to educate Texans and support a state energy policy that promotes clean energy markets, job growth, energy security and Texas’ energy leadership in the U.S. and around the world. For more information, visit the coalition Web site at www.texascleanenergy.org.