UTILITY DIVE

BRIEF

ERCOT reserve margin declines further as municipality pulls Texas coal peaker

By Robert Walton

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Dive Brief:

- For the third consecutive year, the Texas Municipal Power Agency (TMPA) informed the state's grid operator that it will pull its 470 MW Gibbons Creek coal plant offline this summer and instead purchase cheaper energy for customers on the open market.
- The plant has been operated as a summer peaking facility in recent years, but with the rise of low-cost wind in the Electric Reliability Council of Texas (ERCOT) market, the municipal power agency sees little value in keeping the plant ready to go.
- TMPA's decision comes at a time of dwindling capacity reserves in the Lone Star state. In December, ERCOT projected a reserve margin of just 8.1%, but the Houston Chronicle reports that will fall to 7.4% after accounting for the loss of Gibbons Creek.

Dive Insight:

A month ago, ERCOT officials warned that unpredictable weather and a declining reserve margin were creating uncertainty for the grid operator and increasing the chance that rolling blackouts might be required in the summer months.

Now, with the loss of Gibbons Creek, the grid operator could face steeper price spikes or the need to shed load at peak times this summer.

In December, grid officials said summer performance would likely depend on the weather.

"Certainly, with a declining reserve margin, there is a greater risk we would enter into an emergency situation," Pete Warnken, ERCOT's manager of resource adequacy, told reporters in a December conference call. But ultimately, "it depends on the weather. ... we really just don't know what's going to happen."

With the loss of the TMPA plant, the Chronicle reports ERCOT's reserve margin will be just a little over half of its 13.7% target.

The Gibbons Creek facility is owned by four Texas communities: Bryan, Denton, Garland and Greenville. ERCOT officials last year warned that seasonal availability was a growing trend for coal plants.

The grid operator in December said that since the May 2018 Capacity, Demand and Reserves report, there have been several gigawatts of canceled or delayed generation projects, while higher summer peak demand is being driven by oil and gas development in West Texas.

Despite falling prices for wind and solar resources, aggregation is one way some customers are looking to save even more. This week, Texas Energy Aggregation announced a new power purchasing option for Texas public entities. The newly-formed Texas Power Pool will competitively procure utility-scale renewables and on-site solar for state agencies, higher education, cities and other public entities.

"Power purchasing in Texas has changed, but not so much for public entities," Texas Energy Aggregation President TJ Ermoian said in a statement. "Wind and solar are the new disruptors to the energy industry, offering the lowest-priced generation."

But Ermoian added that "it takes specialized experience and aggregated loads to achieve the scale necessary to get below three cents per kilowatt-hour."

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