

Resource Generation Plan Update

Austin Energy Utility Oversight Committee

Lisa Martin

Deputy General Manager and Chief Operating Officer



July 16, 2024

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Developing the Resource Generation Plan to 2035



- Goal of carbon-free by 2035 & other objectives, defined to align with community values
- Consideration of EUC Working Group recommendations
- An objective-based plan rooted in community values and priorities, recognizing the tradeoffs of different options
- Structured to allow flexibility to respond to a changing market and dynamic circumstances

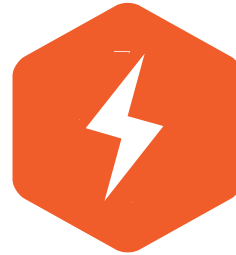


Summary of Work Underway



Community
Facilitation

Rifeline



Energy
Research

Webber Energy Group (UT)



Demand Side Mgmt.
& Solar Study*

DNV Energy Insights



Portfolio
Modeling*

Ascend & Austin Energy



Requests for
Proposals

Carbon-Free &
Renewables Developers



Industry Research
Group Support

ESource & EPRI



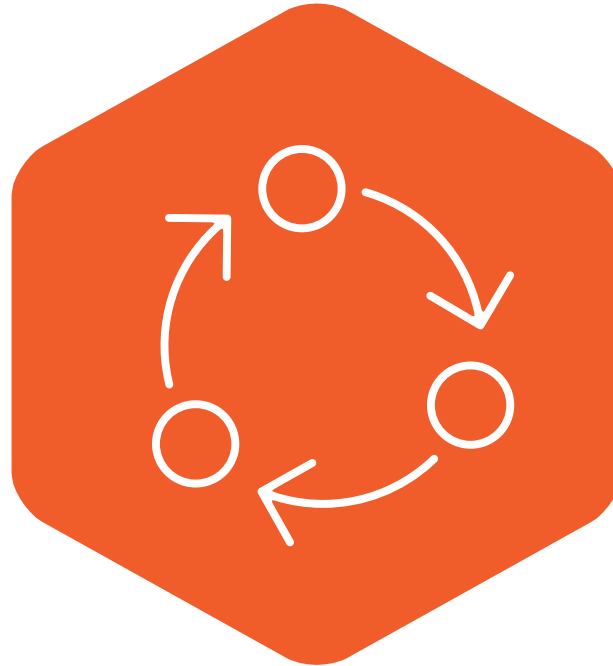
**Scope informed by EUC Working Group Recommendations*

Modeling Collaboration with the Electric Utility Commission



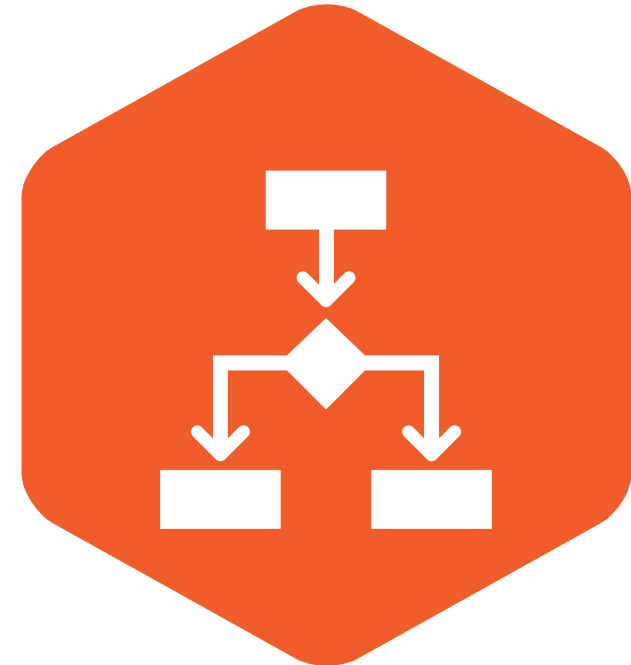
Share Information

Framework
Inputs



Solicit Feedback

Assumptions
Resource Portfolios



Review Outputs

Options
Recommendations



Resource Generation Plan Themes

All work aligns with four main themes/phases

Values & Definitions

- What values are important to you?
- What do you expect your local electric utility to care about?
- What does each value mean to you?

Risks & Tolerances

- What is the current and future state?
- What problems are we trying to solve?
- What risks are we facing?
- What is your risk tolerance?
- What are your priorities?

Objectives & Options

- What objectives do you want us to reach for?
- How do we put our values into action?
- How do you define metrics for success?
- What tradeoffs are you willing to make given values, risk tolerances and priorities?

Solutions

Austin Energy plans to present a set of solutions, with associated risks and tradeoffs, for Council consideration.





Value & Definitions

Risks & Tolerances

Objectives & Options

Solutions

Ver: 7/9

JUNE

JULY

AUG

SEPT

OCT

NOV

Council

City Council Work Session 11/19/24

City Council Meeting 11/21/24

EUC + AEUOC

EUC Meeting 6/10/24

EUC Meeting 7/15/24

EUC Meeting 8/12/24

EUC Meeting 9/9/24

EUC Meeting 9/30/24

EUC Meeting 10/21/24

EUC Meeting 11/18/24

EUC WG Recommendation Review 6/24/24

AEUOC Meeting 7/16/24

AEUOC Meeting 9/24/24

AEUOC Meeting 10/22/24

Community

Workshop #1 6/7/24 Values & Definitions

Workshop #2 7/26/24 Risks & Tolerances (Webber)

Workshop #3 8/22/24 Objectives & Options

Workshop #4 9/13/24 Reviewing Outcomes

3rd Party Research

Webber Report (Draft) 7/8/24

Webber Report (Final) 8/15/24

Market Potential Study (DNV) Report (Draft) 9/30/24

Market Potential Study (DNV) Preliminary Research 7/31/24

Market Potential Study (DNV) Presentation 10/30/24

Austin Energy's Resource Generation Plan 2035 Workshops

Presented by Lynda Rife



rifeline

Overview: Workshop #1

- Austin Energy hosted the first in a series of monthly workshops on Friday, June 7 from 11:30 a.m. to 1:30 p.m.
- The purpose of Workshop #1 was to gather initial feedback and input from a diverse set of stakeholders to identify community values, priorities, and metrics for Austin Energy's Resource Generation Plan 2035.
- The agenda included an introductory presentation on the basics of the Texas and Austin-area energy market.
- Stakeholders were then divided into four small breakout groups to answer discussion questions.



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Diverse Mix of Workshop Participants

AARP	Citizens Climate Lobby	Hispanic Chamber	Solar and Storage Coalition
ADAPT	City of Lakeway	Housing Works	State of Texas
AISD	City of Austin	HURF	Sunrise Movement
ARMA	Residential Customers	IBEW Local 520	Texas Assisted Living Association
Ascension	Downtown Commercial	LGBT Chamber	Texas Climate Jobs
Asian Chamber	Environment Texas	Pecan Street	Texas Energy Poverty Research Institute
Austin Chamber	Foundation Communities	PODER	Tri-City Region
Austin Critical Home Repair Coalition	Habitat for Humanity	Public Citizen	Urban League
CCARE	HACA	RECA	UT Energy Institute
Central Health	HEB	Sierra Club	UT Students



What We Heard: Workshop #1

Top Themes & Takeaways

- **Mission Pillars** – Workshop participants overall felt good about Austin Energy’s mission. Participants suggested adding “equity” and “transparency” and noted wanting to see more proactive communication from Austin Energy during outages and disaster response.
- **Sustainability & Innovation** – The mission should be to address problems with a holistic approach and to prioritize flexibility over specificity in the Generation Resource Plan. Participants instructed Austin Energy to focus on cradle-to-grave or life cycle assessments for sustainability.
- **Customer Rates & Affordability** – Participants continued emphasizing equity when discussing affordability. Austin Energy must consider the populations that need energy the most, including the medically vulnerable and those who are low-income or on fixed incomes.
- **Reliable vs. Predictability** – Participants recognized that 100% reliability is not entirely attainable (except for those who are medically fragile), but they encouraged Austin Energy to be predictable and to include the number of impact hours for outages and to receive notifications ahead of time.
- **Electric Utility Commission (EUC)** – The EUC emphasized the importance of Austin Energy remaining public because it is a dividend to the community.



Stakeholder Engagement: What's Next

Future Workshop Dates

- Workshop #2: Friday, July 26 at 11:15 a.m. to 1:30 p.m.
- Workshop #3: Thursday, Aug. 22
- Workshop #4: Friday, Sept. 13

Electric Utility Commission

- Presented at May 13 and June 10 EUC meetings
- Will give ongoing updates to EUC throughout the engagement process



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Considerations for Austin Energy Resource, Generation, & Climate Protection Plan to 2035

Michael E. Webber, Ph.D.

Emily Arnim

Yael Glazer, Ph.D.

July 16, 2024



The University of Texas at Austin
Webber Energy Group
Cockrell School of Engineering

Austin Energy Basics

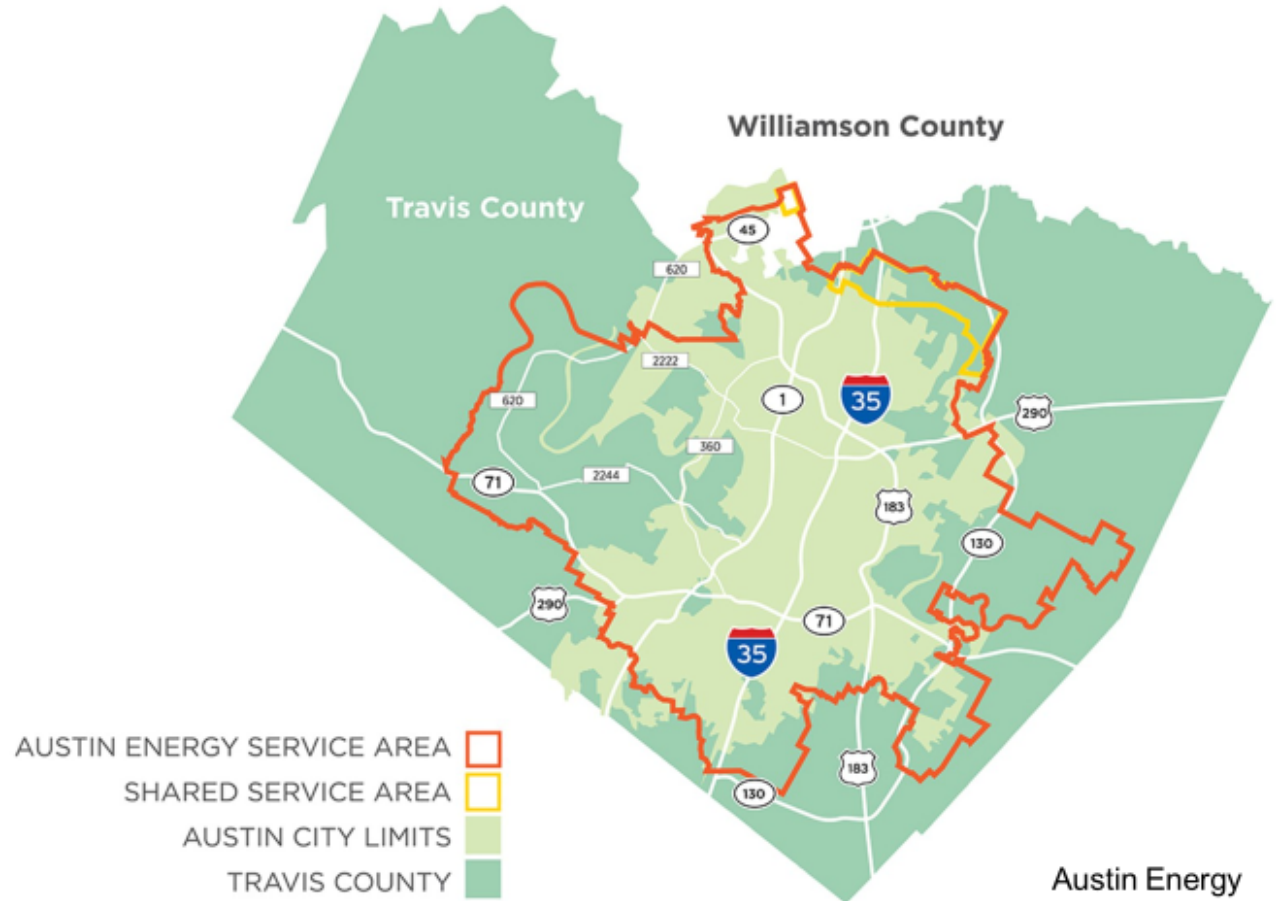


Austin Energy Is a Critical Part of the Local Community

- In FY2023, Austin Energy served 541,368 customers and earned \$1.5B in revenue
- Austin Energy has 1,897 full-time employees and an approved budget of \$1.72B
- Austin Energy's peak demand record was set in 2023 at 3,064 MW; total consumption was 14,263 GWh

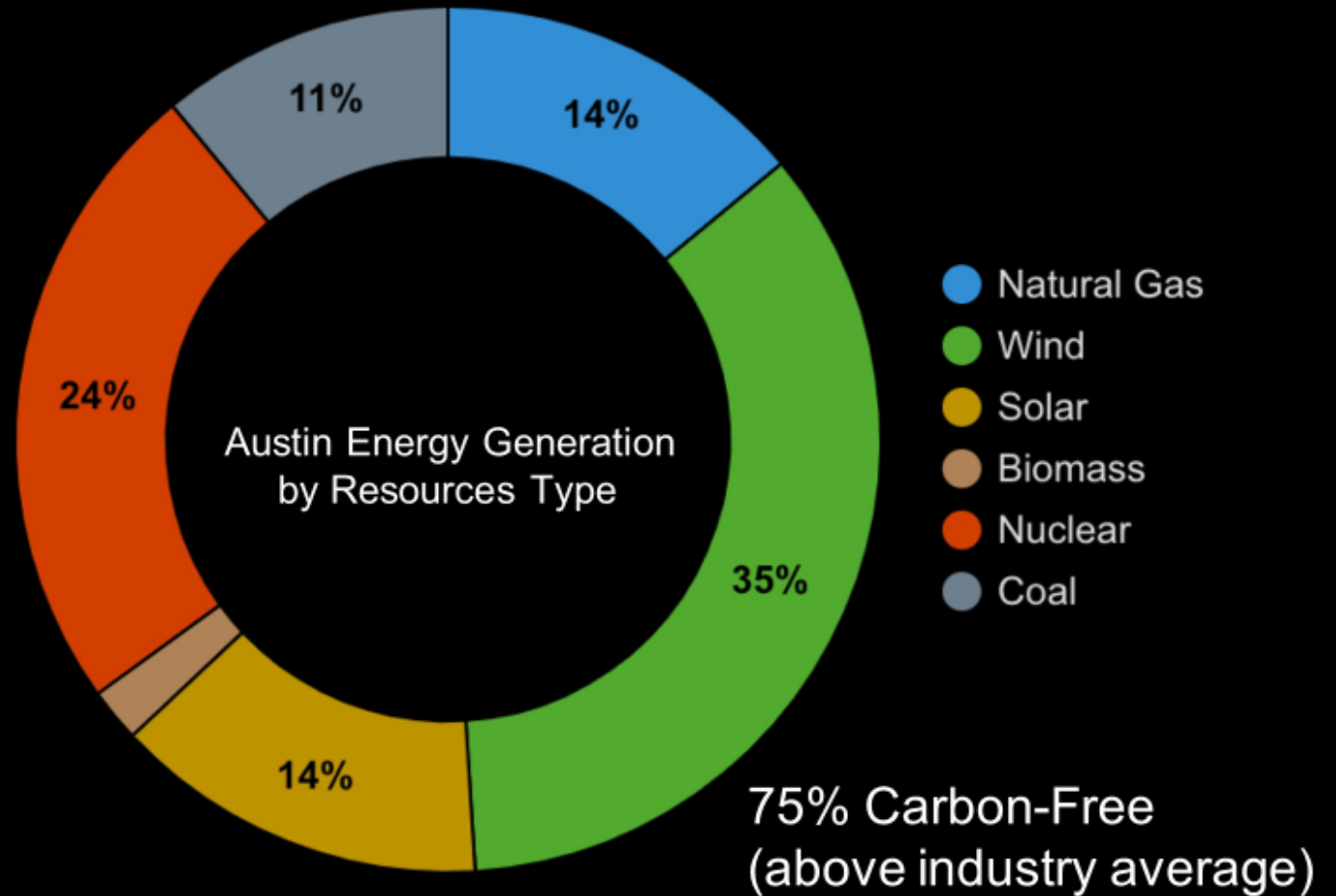
AUSTIN ENERGY SERVICE AREA

50% City of Austin • 50% Outside City of Austin



Austin Energy's Diverse Mix of Resources Generates Electricity for ERCOT and Provides Funds to the City

Texas Generation Map FY23



The Challenge Before Us

Simultaneously expand and decarbonize the grid while the world is warming

Energy transition

The Energy Transition Is Underway

- We're 10-15 years into a 30-40 year transition
- A variety of researchers have conducted studies on how to decarbonize the economy at the global, national, and state level
 - Princeton, UT Austin, Energy Information Administration, International Energy Agency,...
 - Decarbonization: to reduce CO2 emissions and/or remove CO2 from the atmosphere
- These studies have a variety of similar & overlapping conclusions and potential trade-offs
 - Carbon-neutral (e.g. “net-zero”) is cheaper, faster and more equitable than “carbon-free” (e.g. “zero-carbon”)
 - Net-zero: emissions from one location (e.g. from a smokestack) are removed in another location
 - Carbon-Free: there are no emissions

The Priority Order for Decarbonization Has 4 Steps: “Do your best, clean up the rest”

1. Efficiency

- AE has already done a lot on efficiency (good news!), but that means less remains (bad news)
- AE uniquely has prioritized efficiency over the last 2+ decades, which has saved us a lot of heartache (despite it undermining potential revenues)

2. Electrification:

- Electrifying light-duty vehicles and home heating/cooking is good environmentally, but requires expanding the grid to accommodate greater peak power demands (GW) and annual consumption (GWh)

3. Clean molecules

- Use clean molecules (biomethane, hydrogen, hydrogen carriers,...) for parts of the economy that are hard to electrify (aviation, shipping, industry,...) and for power generation when other options aren't available

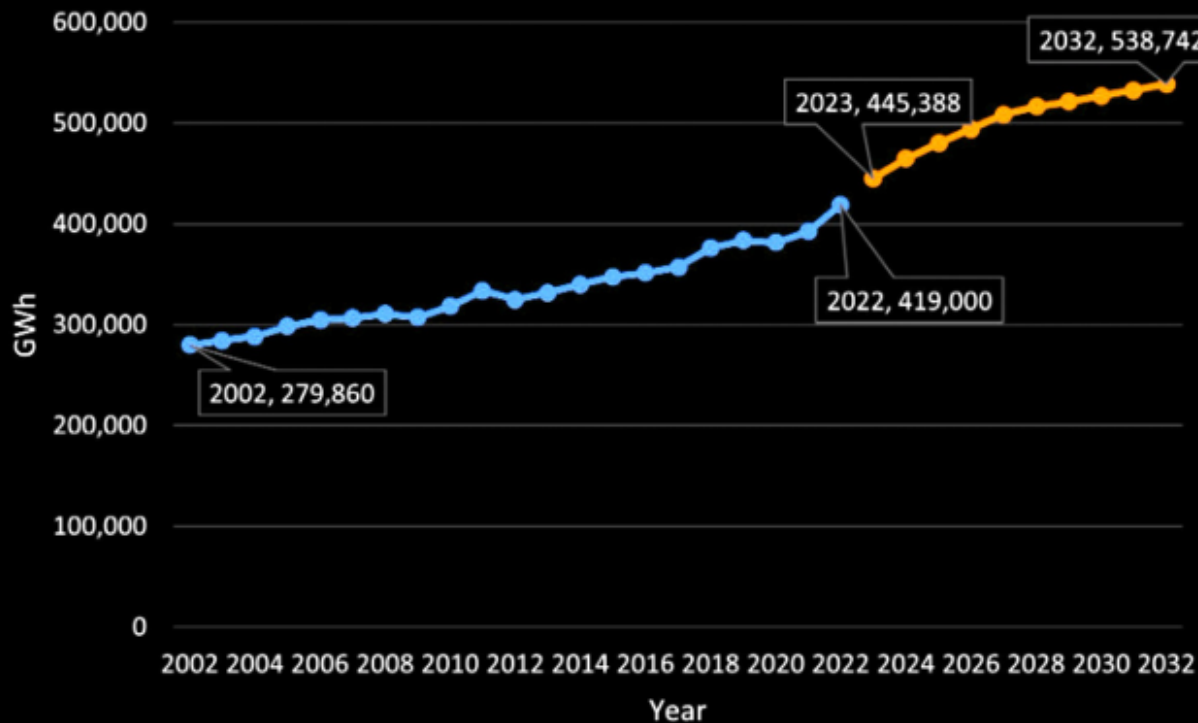
4. Carbon management

- Use carbon management such as point-source capture, direct air capture, and marine carbon dioxide removal to prevent releases of greenhouse gases to the atmosphere and to remove ambient CO₂

ERCOT Is Seeing Significant Growth In Demand (GW), Consumption (GWh) and Transmission Congestion

ERCOT, Governor Abbott, Elon Musk, and environmental groups agree: electricity demand is going up

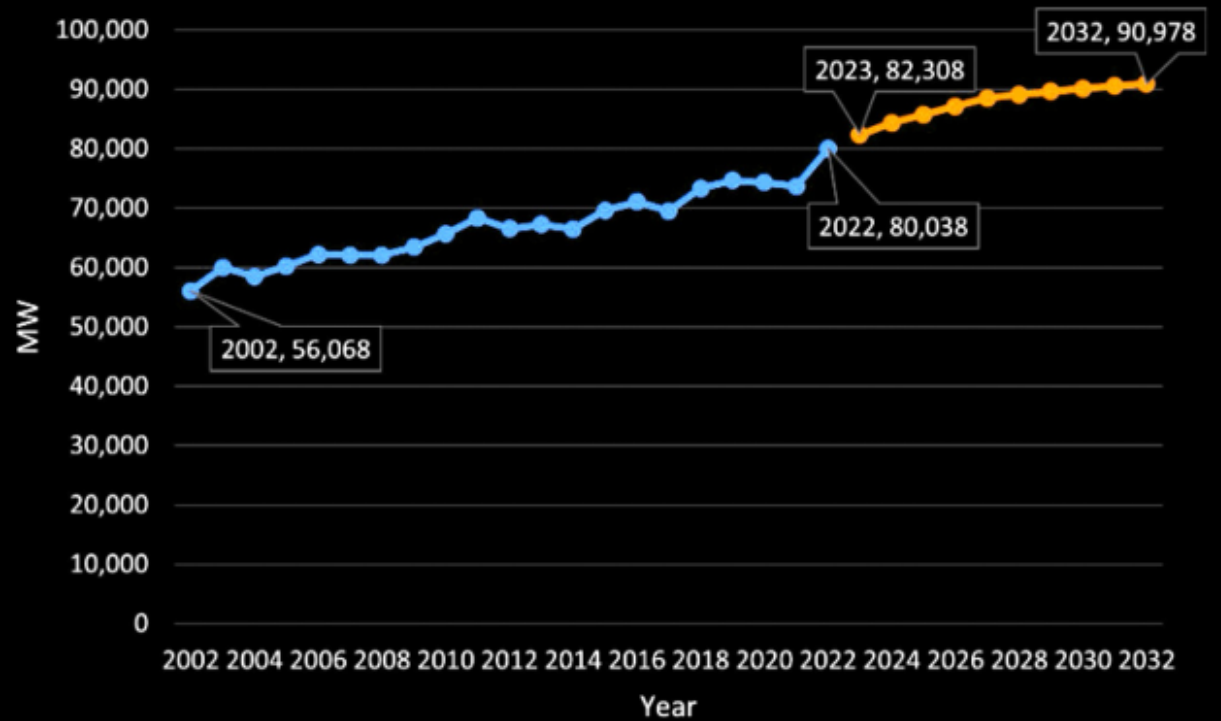
ERCOT Annual Energy Forecast



—●— Actual —●— Forecast

source: <https://www.ercot.com/gridinfo/load/forecast>

ERCOT Summer Peak Demand Forecast



—●— Historical —●— Forecast

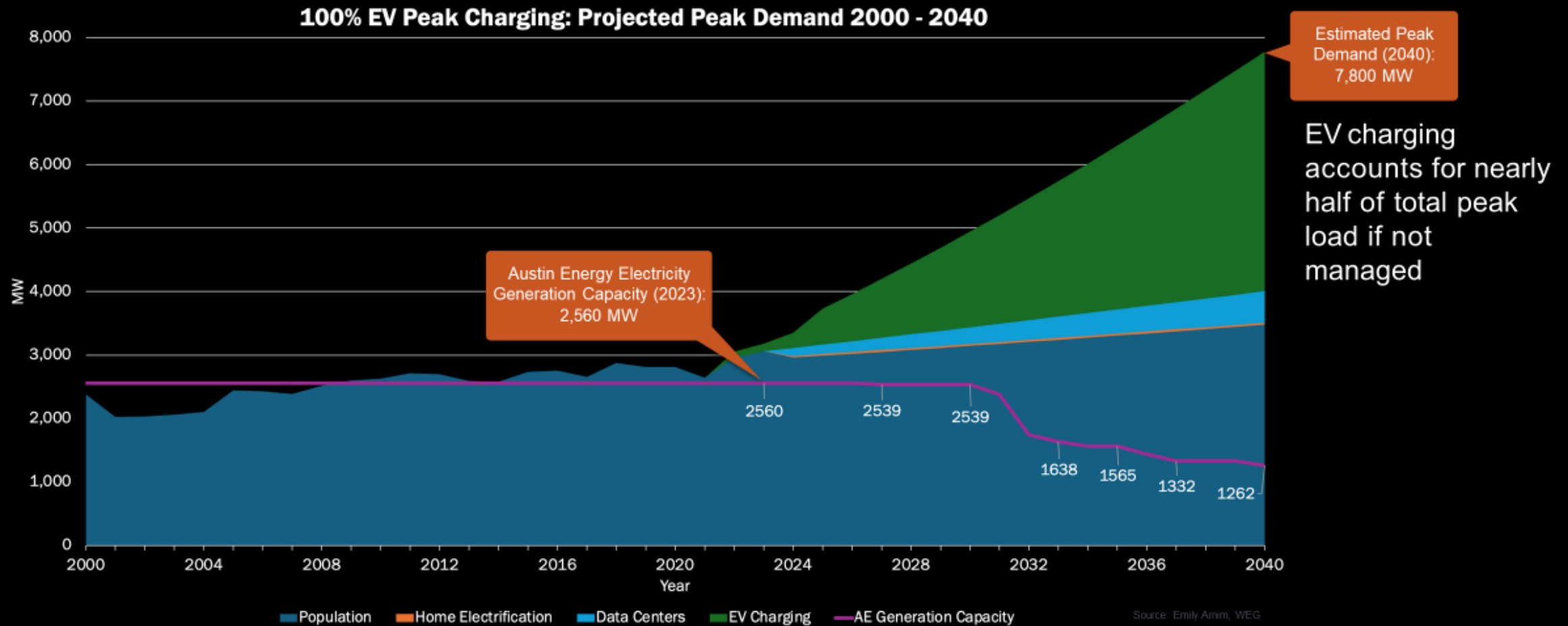
source: <https://www.ercot.com/gridinfo/load/forecast>

Load growth is on the way up for a few reasons

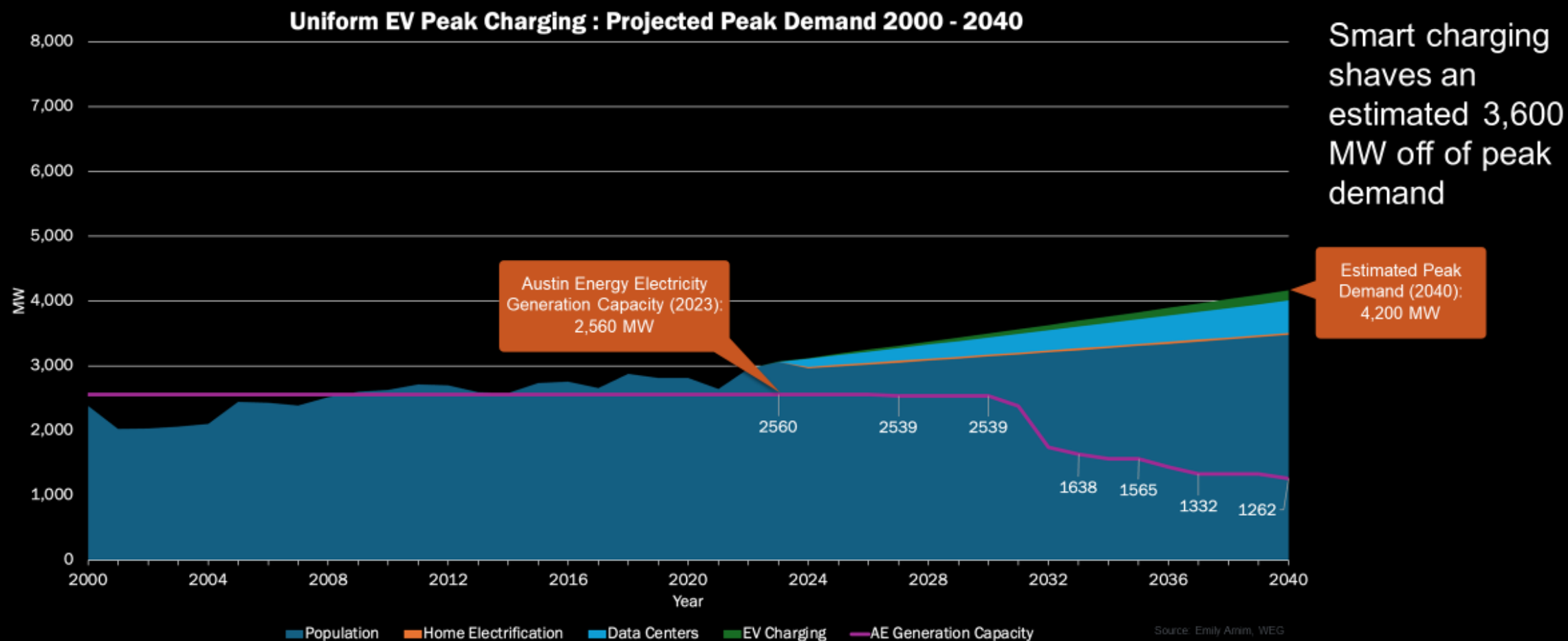
- Electrification of transportation
- Electrification of industrial loads (data centers, oil & gas, steel, etc.)
- Electrification of home heating and cooking
- Population and economic growth
- Heat Dome (+ Polar Vortices)
- Transmission capacity in ERCOT is scarce and getting scarcer
 - Renewable generation is typically located farther from load centers, leading to transmission congestion

A specific view of load growth in Austin Energy

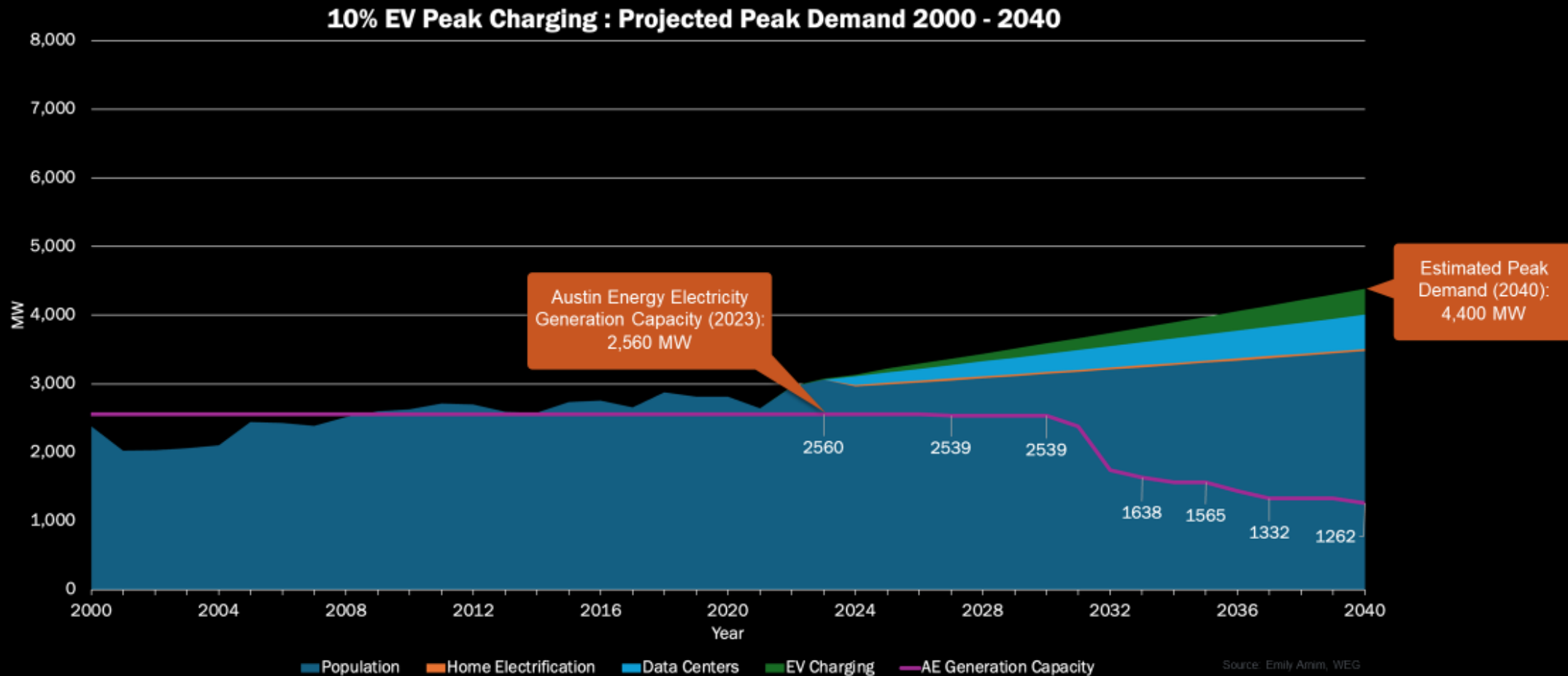
A specific view of load growth in Austin Energy: Scenario 1 - No Charging Management for EVs



A specific view of load growth in Austin Energy: Scenario 2 - Smooth round-the-clock charging management of EVs



A specific view of load growth in Austin Energy: Scenario 3 - 10% of EVs Charge at Peak Times (e.g. ERCOT's View)



Are People Across a Wide Geographic Area Really Capable of Synchronous Behavior?

- Yes, especially for weather...
 - Power demand for heating spikes during cold snaps
 - Power demand for cooling spikes during heat waves
- But would they do so for non-weather related activities?
 - Yes

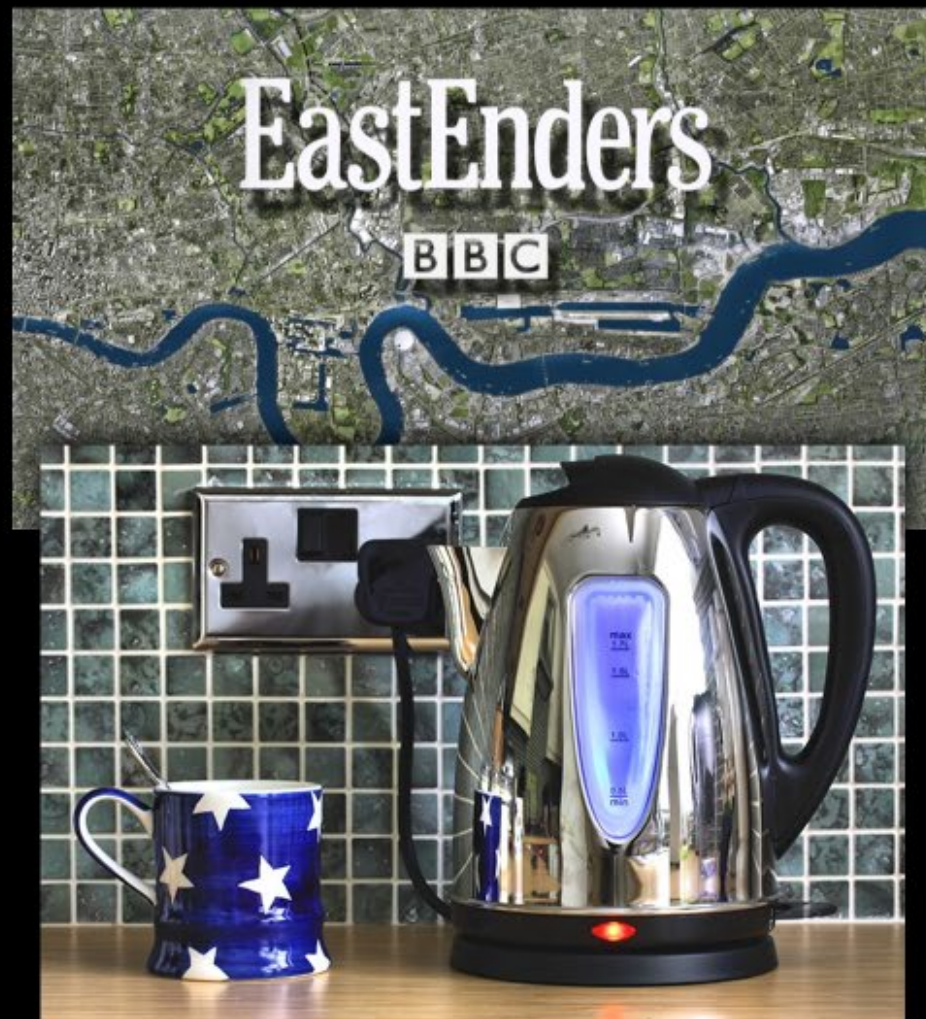
English Tea-Drinking Habits Strain The Grid

GEEK-CETERA ([HTTP://WWW.GEEK.COM/CATEGORY/GEEK-CETERA/](http://www.geek.com/category/geek-cetera/))

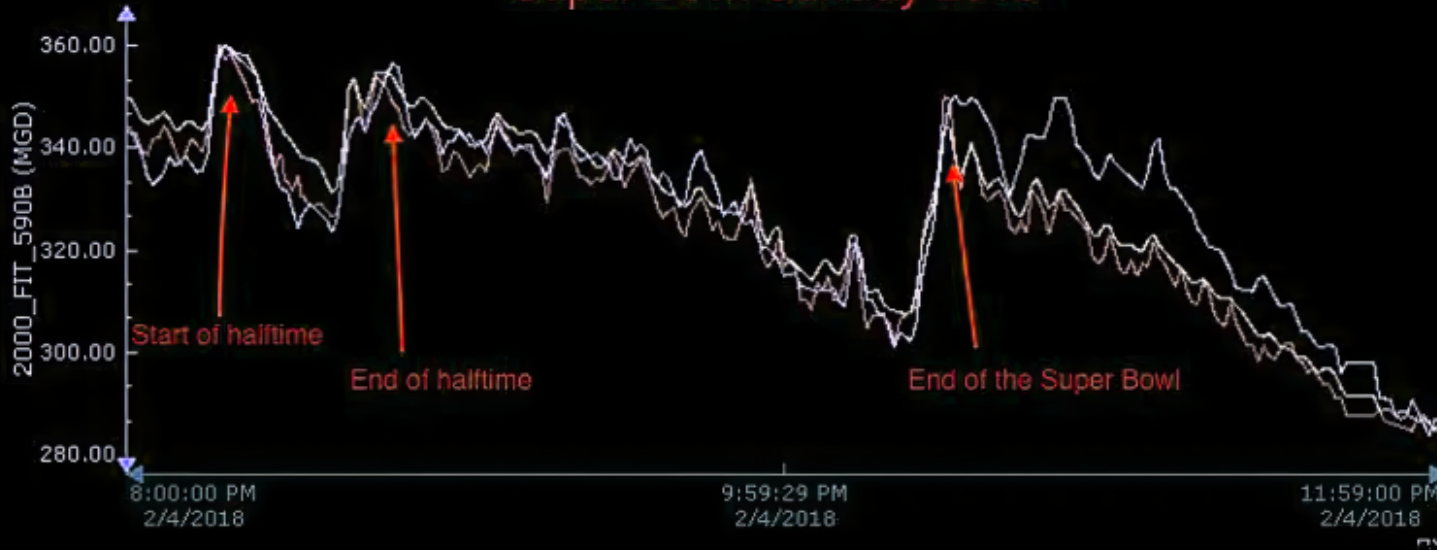
Tea time in Britain causes predictable, massive surge in electricity demand

BY MARK RABY
01.07.2013 - 5:27PM EST

- After a popular soap opera ends, 1.75 million tea kettles are turned on almost simultaneously
- Power surge: 3 GW for 3-5 mins
- Standby power ready from grid in UK and France



Super Bowl Sunday 2018



Sunday Prior to Super Bowl



Super Bowl Flush

- Millions of toilets in New York City are flushed nearly simultaneously
- Creates a wave of wastewater
- Causes a spike in demand from the water reservoir

Traffic Jams: Daily Rush Hour and Holidays

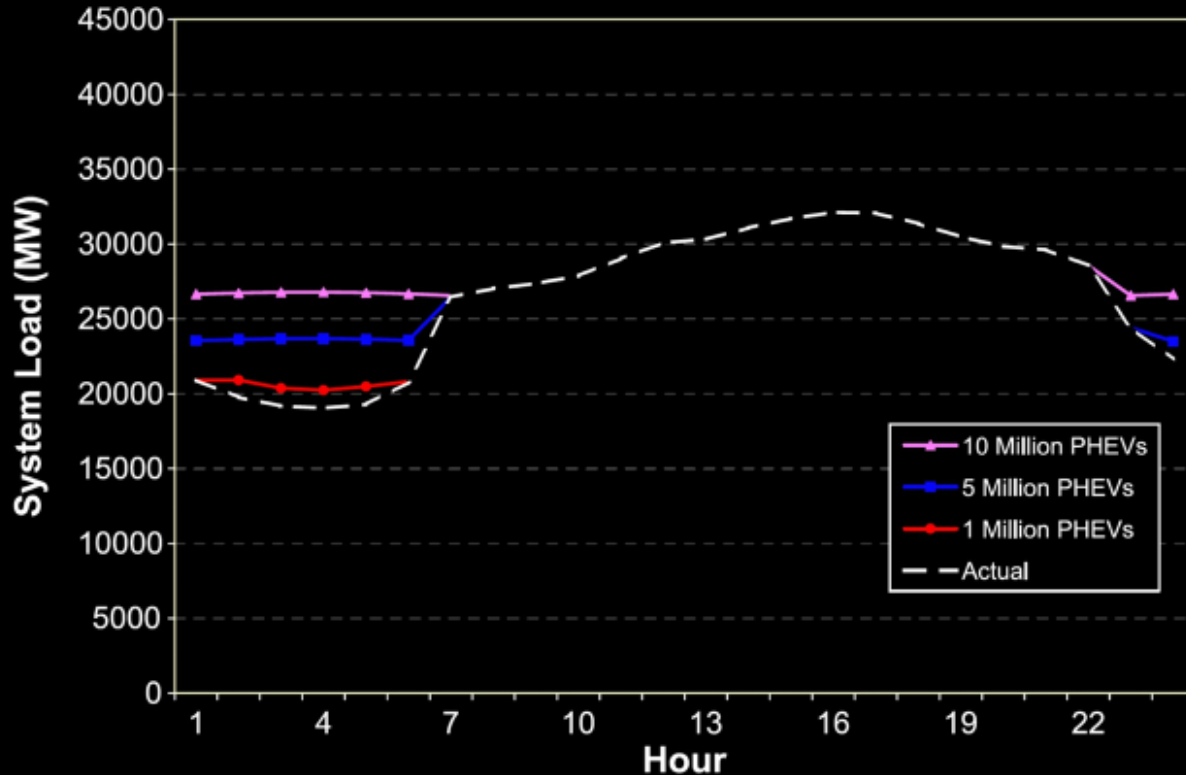


2017 Thanksgiving traffic, Los Angeles, CA

<https://www.latimes.com/local/lanow/la-me-thanksgiving-traffic-20171122-htmlstory.html>

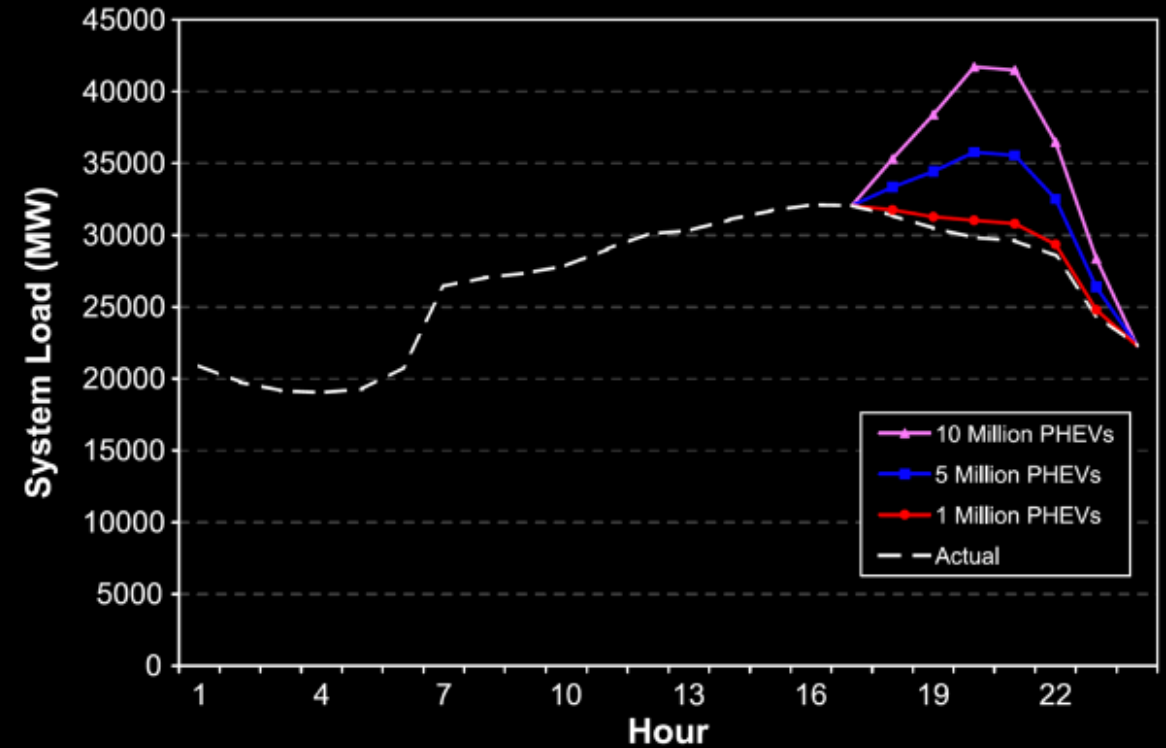
Whether EVs break or save the grid depends on what time of day you charge them (known risk since 2008)

Charging off-peak saves money for everyone



(a) Optimal Charging

Charging on-peak strains the grid for everyone

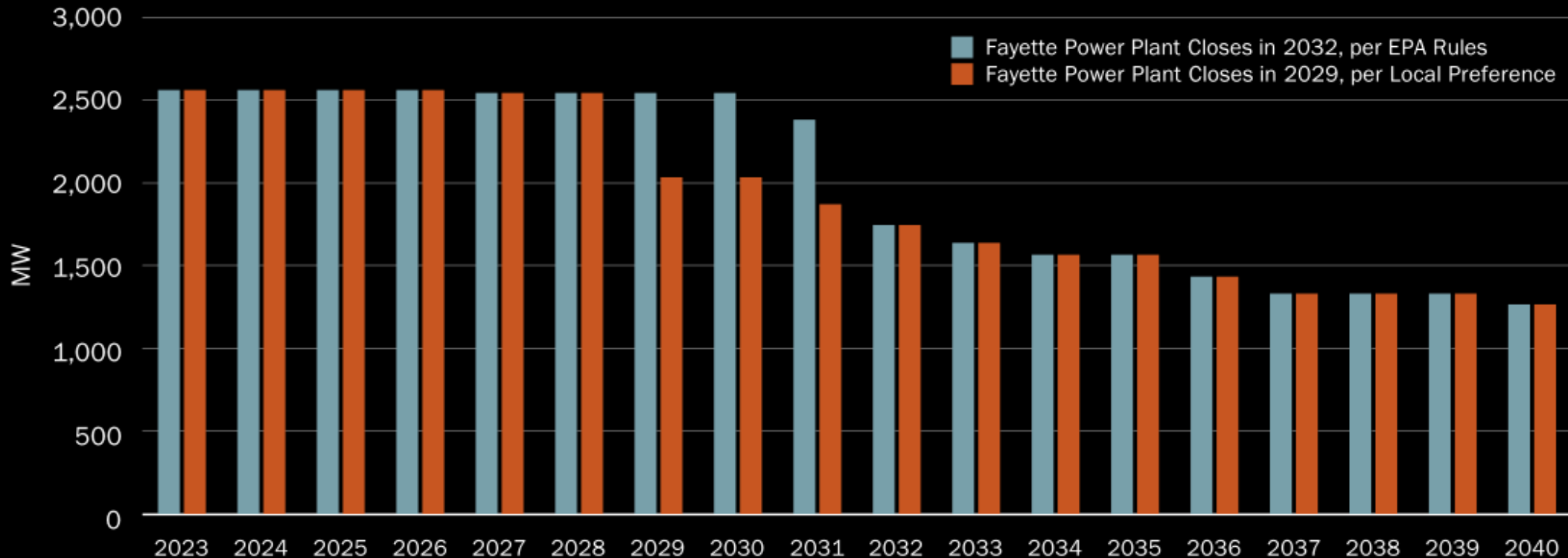


(b) Evening Charging

The Forecasted Shortfall in Generating Capacity Is Significant

Austin Energy's Power Supply Is Scheduled to Drop Significantly

Austin Energy Generating Capacity Based on PPI Contract Expiration



*Showing PPA rolloff for all generators except Decker, Mueller, Sand Hill, South TX, and Nacogdoches

AE Has Options To Meet Resource Adequacy Needs



Options to meet resource adequacy needs: Non-Generators

- Energy efficiency
 - Reduces the need for more electricity
 - Keeps homes at a safer and more comfortable temperature for longer if there is a power outage during a weather event
- Demand response at residences
 - Turning loads off is just as useful as turning power plants on
 - Non-essential loads (hot water heaters, pool pumps,...)
 - Essential loads (heating/cooling) but on a rotating basis
- Batteries and other storage systems
 - Very helpful, but limited in duration

Options to meet resource adequacy needs: Renewables

- Renew existing (out-of-service area) PPAs (power purchase agreements) for wind and solar
 - Possible increase through repowering
 - Because of new federal legislation, which offers tax transferability, PPAs are not nearly as attractive today as in the 2000s and 2010s
 - Does not alleviate concerns about transmission congestion
- Add new solar in the AE service area
 - Prioritize commercial locations, parking lots, warehouses, etc. (vs. rooftop solar) to reduce costs
- Consider expanding solar out of service area but nearby in less congested areas

Options to meet resource adequacy needs: Dispatchable Sources

- Dispatchable carbon-free generation still needed
 - Likely with low capacity factor to serve when wind/solar availability is low
- Near-term options
 - Gas (w/carbon removals at Nacogdoches or elsewhere)
 - Gas (w/carbon capture on site)
 - Gas (w/ flexible fuel)
 - Biomethane
 - Hydrogen
 - Ammonia
 - FPP but with wood pellet blending, carbon capture, etc.
- Longer-term options
 - Geothermal (hard to do in AE Service area)
 - Nuclear Fission (technology used at STP Nuclear):
 - slow to build
 - expensive
 - hard to do in AE Service area
 - could potentially install SMR or traditional Gen III or Gen IV plus-up at STP
 - Nuclear Fusion:
 - technically immature
 - hard to estimate construction times, cost, regulatory context, etc.

Special considerations for Austin Energy

Special considerations for Austin Energy

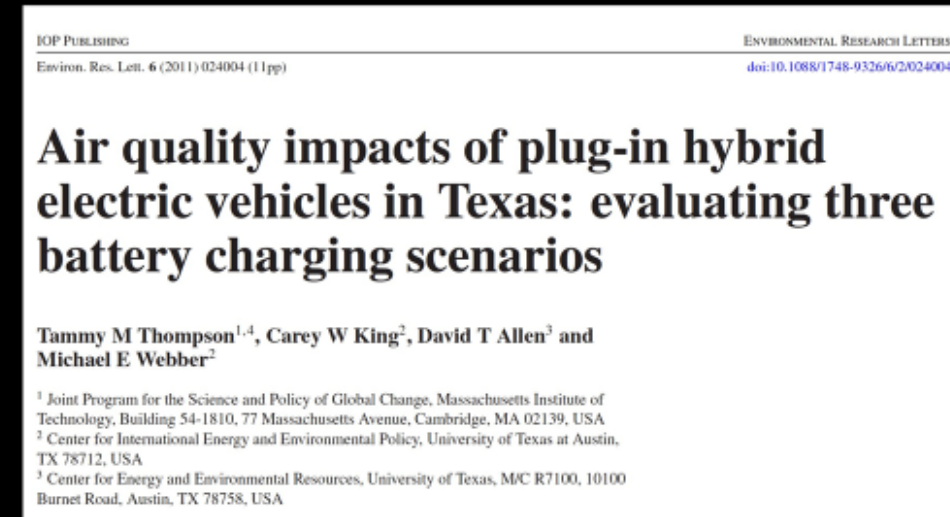
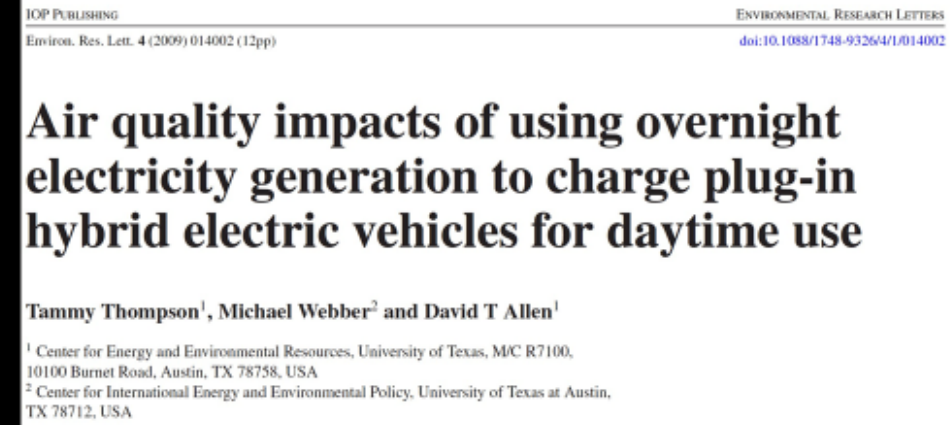
- Building dispatchable power within the AE service zone reduces exposure to significant financial risk from
 1. bulk grid price volatility
 2. transmission congestion pricing
 3. improves reliability
- Rotating machines are particularly valuable for voltage/frequency control (thermal power plants, synchronous condensers, etc.)
- PPAs still have a part to play but are no longer as desirable b/c of new tax transferability rules
- Munis are uniquely positioned to address this load growth b/c of the ability to reduce dependence on construction of new transmission

Special considerations for Austin Energy: Equity

- Fenceline pollution
- Other nuisances (noise, sight pollution, etc.)
- Jobs
- Electricity cost
- Electricity reliability

Special considerations for Austin Energy: Environment

- Using electricity to displace gasoline or diesel in vehicles or natural gas in home heating/cooking systems has distinct environmental benefits
- Using FPP to charge EVs is environmentally beneficial compared to gasoline or diesel engines
 - ICEs (internal combustion engines): daytime, urban, ground level tailpipes in heavily-populated urban areas
 - EVs (electric vehicles): night-time, rural, smokestacks
 - Reduces the formation of photochemical smog (because of no sunshine at night) and human exposure b/c of less populous areas around smokestacks and dilution from higher-altitude releases that spread more quickly



Summary

- Utilities (including AE) need to prepare for an era of unprecedented growth in electricity
- AE should expedite the deployment of a variety of supply and demand options to ensure resource adequacy while minimizing exposure to out-of-service area price volatility and transmission congestion fees
 - These resources include a mix of generation options (thermal, etc.) + demand side controls and options (rooftop solar, batteries, demand response, efficiency, etc.)
 - Opportunity to improve overall system performance and lower costs for customers
 - Updated fuels mix + electrification of vehicles & heat will reduce emissions
 - Equity elements should also improve
- This is an opportunity to improve overall financial health of the utility (and therefore provide more benefit to the Austin community and customers)
- Key lens through which energy options should be considered: trade-offs

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