City of Austin

Recommendation for Action

File #: 26-1880, **Agenda Item #:** A7. 5/19/2026

Posting Language
Implementation of efficient, local, natural gas-powered peaker generation units as part of Austin Energy's Resource, Generation and Climate Protection Plan to 2035. Funding: Funding is available in the Fiscal Year 2025-2026 Capital Budget of Austin Energy. Funding for the additional amounts is contingent upon available funding in future budgets.
Pulled by Council Member Siegel.

Lead Department
Austin Energy

Fiscal Note
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Prior Council Action:
December 12, 2024- Approval of Austin Energy's Resource, Generation and Climate Protection Plan to 2035.

For More Information:
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Council Committee, Boards and Commission Action:
May 11, 2026- Recommended by the Electric Utility Commission on an 8-3 vote.

Additional Backup Information:
On December 12, 2024, Austin City Council unanimously approved 'Austin Energys Resource, Generation and Climate Protection Plan to 2035 <https://austinenergy.com/about/reports/generation-resource-planning>, which is a strategic pathway to meet Austin's rising energy needs while enabling an equitable clean energy transition. This plan was drafted with strong community input and is guided by the core values of reliability, affordability, environmental sustainability, and energy equity. The 2035 Plan reaffirmed Austin Energy's commitment to providing 100% carbon-free energy as a percent of customer load by 2035, prioritizing customer energy solutions, exiting coal as soon as feasible, reducing emissions through additional guardrails, and expanding equitable access to clean energy.

Austin Energy developed the 2035 Plan to address challenges and changes the utility is seeing in the energy landscape, including:

- Increased electricity demand resulting from electric vehicle adoption, electrification, large loads, and new development.
- Higher electricity prices in the Austin area because of increasing transmission congestion.
- Projected reliability risks from insufficient local generation that could cause local power outages and create issues with maintaining local system voltage.

- Physical and financial risks from extreme weather events.

As provided in the 2035 Plan, Austin Energy evaluated options to strengthen local reliability in the face of current challenges while continuing progress toward Austin's clean energy goals. In support of reliability and affordability, the 2035 Plan allows Austin Energy to consider adding natural gas generation, only as that relates to more efficient, local peaker units. As part of the implementation process, City Council approval is required before any new utility-scale resource can be developed. This process has four phases - feasibility, pre-development, development and construction - with City Council approval before the development phase. Work during the feasibility and pre-development phases has incorporated regular updates to City Council, including a report to the City Council following the feasibility phase prior to moving forward to the pre-development phase. This also includes gathering Council feedback and incorporating community input, prior to bringing this project forward for approval.

Austin Energy is actively pursuing a diverse mix of energy options, including:

- Maximizing demand-side management - energy efficiency, demand response, customer-sited solar and batteries.
- Local solar and battery storage, alongside wind and newer technologies like geothermal.
- Transmission upgrades to increase import capacity.
- An All-Resource Request For Proposals, which requires Austin Energy to test whether carbon- or emissions-free options can meet the same reliability needs before pursuing peakers.

Real-world experience and data analysis show that batteries, demand-side management and local solar combined cannot solve long-duration reliability risks, especially as demand grows. Some dispatchable local generation remains necessary.

Natural gas peakers act as an "insurance policy" for extreme weather and long-duration events that batteries and other resources alone cannot cover. Newer peakers are much more efficient, produce far less emissions than existing peakers, and will only run when needed in alignment with emissions guardrails. Investing in more efficient, local peakers moves Austin Energy closer to transitioning away from older resources.

Based on data from the 2023 CAPCOG Air Quality Annual Report for the Austin-Round Rock-San Marcos Metropolitan Statistical Area Austin Energy's nitrogen oxide (NOx) emissions from Decker Creek Power Station and Sand Hill Energy Center account for less than 1% of total local NOx emissions. New peakers will include Selective Catalytic Reduction technology to reduce NOx emissions by 80-95%.

New peakers also allow Austin Energy to maintain black start capabilities in its generation portfolio to be part of the solution in a statewide grid blackout emergency.

Public power utility governing bodies are authorized to meet in executive session pursuant to Section 551.086 of the Texas Government Code to discuss and vote on competitive power generation matters, and public power utilities routinely do so for these types of generation resources. Therefore, specific competitive contract details such as vendor, pricing, and amounts will be considered in executive session because that information is considered confidential competitive matters.

This request for council action for additional generation units allows for public comment, discussion, and consideration of Austin Energy's proposal and accompanies an executive session agenda item. Austin Energy routinely provides as much information publicly as possible without damaging the utility's position in a highly competitive market for dispatchable generation resources and within the wholesale electric market.