



BOARD/COMMISSION RECOMMENDATION

Resource Management Commission

Recommendation No. 20261020-004

Recommendation Requesting Independent Analysis of Carbon-Free Resources Addressing Austin Energy's 400-Megawatt Reliability Need Consistent With Climate Equity Plan and Clean Energy Goals

WHEREAS, the Austin Climate Equity Plan (2021) and Austin Energy's Resource, Generation, and Climate Protection Plan to 2035 — adopted unanimously by the Austin City Council in December 2024 — commit the City and its municipal utility to 100% carbon-free generation by 2035 and net-zero emissions by 2040, and direct all procurement and investment decisions to align with those goals; and

WHEREAS, Austin Energy has identified approximately 575 annual reliability risk hours in the Austin load zone and determined that approximately 400 megawatts of additional dispatchable capacity is needed by 2035 or earlier to address that risk, with an estimated budget of approximately \$1 billion — a commitment of sufficient scale to warrant rigorous, independent evaluation of all available pathways. This anticipated resource need and the number of hours of annual reliability risk are likely to increase over time, making 400 megawatts a floor rather than ceiling on future Austin Energy resource needs; and

WHEREAS, Austin Energy's Resource, Generation and Climate Protection Plan to 2035, and the Austin City Council's approval of Austin Energy's proposed new gas-fired peaker plant, is based upon resource and fuel cost, technology and availability assumptions dating back to mid-2024.

WHEREAS, since mid-2024 multiple characteristics of resource and fuel have changed significantly over the past two years, including multiple factors that render the assumptions underlying the gas peaker plant outdated:

- A 64% increase in Henry Hub natural gas prices between August 2024 and October 2026;
- A 40 to 50% higher increase in single-cycle gas turbine and 40 to 66 percent increase in combined-cycle turbine costs from August 2024 to October 2026, with lead times for delivery extending for five years or more due to the huge demand for new turbines and turbine generator sets from data center owners, utilities, and independent power producers;
- A 15 to 25% increase in the cost of acquiring large generator step-up transformers, with lead times from order to delivery extending three to four years; and

WHEREAS, these cost increases and delivery delays could significantly raise the costs of and delay the construction and operation of Austin Energy's newly approved gas-fired peaker plant; and

WHEREAS, Austin Energy should reexamine the availability and feasibility of a suite of alternative technology options to backstop and complement Austin's commitment to a gas peaker and to lower Austin Energy's electric supply and demand portfolio risks and costs; and

WHEREAS, the technology and cost landscape for low-carbon and carbon-free reliability resources continues to change dramatically, with utility-scale and customer-scale battery storage costs declining, grid reconductoring enabling greater effective capacity from existing infrastructure, demand response programs achieving reliability performance previously associated only with centralized generation, and significant summer and winter peak and net peak reduction potential available from aggressive adoption of heat pumps and managed electric vehicle charging, including:

- The customer-facing costs of many residential energy efficiency measures have increased since the federal government rescinded many federal standards and subsidies for residential efficiency

appliances and construction, but there are new options for high-efficiency appliances and efficient energy efficiency delivery;

- House-scale battery storage costs fell 25 to 30% between 2024 and 2026, despite increased costs due to import tariffs, and are projected to decline further with increased domestic production;
- The costs and availability of long-duration energy storage continue to improve, with the U.S. Department of Energy projecting a levelized cost of storage below \$0.10/kWh at full commercial scale for 100-hour storage systems;
- But average Texas residential electricity prices rose by 30% from 2020 to 2024 and are forecast to rise at least another 29% from 2025 through 2030, due to higher ERCOT wholesale energy prices and rapidly growing charges for electric distribution and transmission capital construction. These cost increases effectively make energy efficiency, automated demand response, managed electric vehicle charging, and distributed storage and generation cost-effective and cost-competitive against new gas-fired generation;
- Many of the above measures can be designed and implemented to deliver permanent decreases in total and net peak load, be operated as manageable or fully dispatchable resources, and reduce Austin Energy's dependence on price-volatile, weather-dependent natural gas fuels, while advancing Austin's climate and equity goals.

WHEREAS, a comprehensive portfolio of low-carbon and carbon-free demand-side and grid-side resources — evaluated individually and in combination — may be capable of addressing all or a substantial portion of Austin Energy's identified 400-megawatt and growing reliability need. Deploying a suite of low-carbon and carbon-free demand-side and supply-side measures starting now, as Austin Energy continues working on its new gas peaker plant, can create additional grid management flexibility and resiliency, diversify and lower our utility's total portfolio risks, and lower Austin Energy's total energy costs at a total cost competitive with or below the current \$1 billion peaker plant budget. Such a portfolio could provide year-round grid and community benefits relative to peaker capacity dispatched only during reliability events; and

WHEREAS, an independent, technical consultant with no financial interest in any generation technology, vendor, or regional market could evaluate these alternatives objectively and with access to the most current national experience deploying carbon-free reliability resources at scale, and develop an analysis that updates the likely cost and timing of Austin Energy's new peaker plant and outlines a portfolio of low-carbon and carbon-free demand- and supply-side resources that could protect Austin's electric reliability, resilience, affordability and equity alongside or even possibly without the new peaker plant; now, therefore,

THEN BE IT RESOLVED that the Resource Management Commission requests that Austin City Council direct the Financial Services Department to engage an independent, third-party technical consultant — selected through a competitive process with no financial relationship to any generation technology vendor, equipment manufacturer, or regional market participant, and without financial association to any Austin RMC and EUC members — to conduct a comprehensive, publicly available analysis of low-carbon and carbon-free resource portfolios capable of meeting Austin's 400 MW and growing reliability needs in ways that complement or potentially replace the identified peaker plant; and

BE IT FURTHER RESOLVED that the analysis evaluate, at a minimum: (1) utility-scale and customer-scale battery storage; (2) grid reconductoring and transmission upgrades to increase effective import capacity into the Austin load zone; (3) expanded energy efficiency and demand response programs; (4) time-of-use and real-time pricing pass-through structures; (5) vehicle-to-grid and smart EV charging programs; (6) additional renewable technologies including geothermal; and (7) virtual power plants aggregating distributed and/or community solar and storage; and

BE IT FURTHER RESOLVED that the analysis shall: (1) quantify and update the potential costs and delivery date of the approved gas peaker plant given known recent cost increases and supply chain issues for turbines and transformers; (2) recommend suites of the above demand- and supply-side resource options that can complement or if necessary, replace, the planned gas peaker plant, identifying the

reliability contribution, operational flexibility and resilience benefits, lifecycle cost, carbon impact, and ratepayer cost of each resource type and portfolio scenario; (3) assess whether any combination can meet Austin Energy's 575-hour annual reliability risk reduction goal at or below the approximately \$1 billion peaker plant budget; and (4) identify potential timing, regulatory, contractual, or operational barriers to deployment along with recommended strategies to address them; and

BE IT FURTHER RESOLVED that this study should be completed by October 2027 with the findings presented to the Resource Management Commission and the Electric Utility Commission in duly noticed public meetings, with adequate time for each Commission to review the findings and make formal recommendations to the City Council; and

BE IT FURTHER RESOLVED that the Resource Management Commission reaffirms its strong support for Austin Energy's existing energy efficiency, renewable energy, and battery storage investments and urges their accelerated and expanded deployment as a near-term contribution to the City's electric reliability and climate goals.

Date of Approval: October 20, 2026

Vote: 8-0

Motioned By: Vice Chair Robbins

Seconded By: Commissioner Farmer

For: Commissioner Paul Robbins, Vice Chair; Commissioner Kamil Cook; Commissioner Trey Farmer; Commissioner Yael Glazer; Commissioner Harry Kennard; Commissioner Martin Luecke; Commissioner Raphael Schwartz; Commissioner Alison Silverstein

Against: None

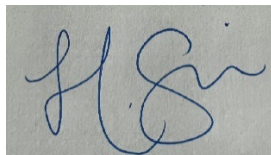
Abstentions: Commissioner Charlotte Davis, Chair

Off Dais: None

Absences: None

Vacancies: Mayor; District 8

Attest:

A handwritten signature in blue ink, appearing to read "H. Sin", is written on a light gray rectangular background.

Natasha Goodwin, Staff Liaison