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Received - 2021-12-10 11:51:20 AM
Control Number - 52373
ItemNumber - 307
AARP COMMENTS IN RESPONSE TO STAFF’S 12/6 MEMO

AARP\(^1\) appreciates the opportunity to provide comments on Phase II market design concepts and principles. The health, safety, and economic welfare of Texans depends on affordable electricity rates and reliable service. Our electric system during Winter Storm Uri failed to deliver on both fronts.

AARP appreciates the Commission’s efforts to quickly address the issues exposed by Winter Storm Uri. Actions taken represent progress towards ensuring the reliability of the ERCOT grid. However, Texans are rightly concerned about continued weak links in the natural gas supply chain and the potential consequences for the ERCOT grid this winter.

Texans are also rightly concerned about the rising cost of electricity now and in the future. The average cost of electricity in ERCOT has risen substantially since the beginning of 2021. Residential electricity customers are facing a variety of cost increases stemming from legislative and PUC action in response to Winter Storm Uri. Over time, this burden will amount to billions, with most of that amount not funding direct reliability improvements to the grid. This long-term drag on Texas households is further compounded by higher electricity costs due to rising natural gas prices.

AARP supports market design improvements that will provide reliability at the lowest cost to consumers. However, we cannot endorse any contemplated Phase II proposals because we do not believe proposals have been sufficiently vetted. The Brattle Group’s 11/19/21 presentation to the Commission briefly included a preliminary estimate of market reform concepts with a price tag of approximately $2 billion annually. The cost implications of these types of reforms for everyday Texans demand better development, evaluation, and opportunity for input.

\(^1\) AARP is a nonpartisan, nonprofit social welfare organization with a membership that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. AARP is an advocate nationwide for the rights of people aged 50 and older. A substantial percentage of AARP’s members live on fixed or limited incomes. A major priority for AARP is to protect consumers from unreliable power and utility expenses that may endanger their health and financial security. We have 38 million members nationally and nearly 2.3 million in Texas.
Should the Commission choose to continue pursuing certain Phase II market design proposals, AARP urges the utmost consideration of the ratepayer impact of each reform considered. AARP urges the Commission to:

1. Undertake regular, detailed, cost-benefit analyses from independent third parties. Such analysis should be provided in full to the public to ensure a transparent process with sufficient opportunity for review and input.
2. Avoid shifting costs from competitive entities to regulated utilities, which are monopolies that just pass through costs to ratepayers without competitive pressure.
3. Evaluate the market power impacts of each concept under consideration and attempt to mitigate the market power where warranted.

There are many facets to achieving affordable, reliable electric service in Texas. It is imperative Texas gets these major market reforms correct, especially with respect to the bill impact on Texas ratepayers. AARP looks forward to continuing to participate in the Commission’s review and development of potential market design changes.

Respectfully submitted,

AARP

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