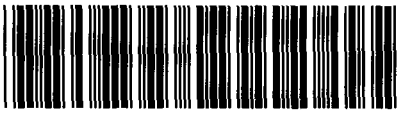


Control Number: 48539

Item Number: 18

Addendum StartPage: 0

P.U.C. PROJECT NO. 48539

RECEIVED

2018 OCT -8 PM 2:27

PUBLIC UTILITY COMMISSION
FILING CLERK

REVIEW OF THE INCLUSION OF MARGINAL LOSSES IN SECURITY-CONSTRAINED ECONOMIC DISPATCH	§ § § § §	BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

JOINT REP GROUP RESPONSE OF TEXAS ENERGY ASSOCIATION FOR MARKETERS TO COMMISSION STAFF QUESTIONS, JOINED BY DIRECT ENERGY, LP

Pursuant to Public Utility Commission of Texas ("Commission") Staff's Request for Comments, attached are joint responses to Questions posed by Staff filed on behalf of retail electric provider ("REP") Group comprised of Texas Energy Association for Marketers ("TEAM")[1] and Direct Energy, LP. These Comments are preliminary in nature and we look forward to working with Commission Staff and other interested parties on these market performance issues as a result of this process.

I.
COMMISSION STAFF QUESTIONS

1. ***What are the benefits of implementing the use of marginal transmission losses rather than average transmission losses in the Electric Reliability Council of Texas' (ERCOT's) Security-Constrained Economic Dispatch (SCED) over the long term?***

2. ***Are the benefits identified in response to Question 1 sufficient to justify the near term costs to the market as a whole? Please consider individual stakeholder implementation costs as well as the costs to ERCOT identified in its study***

3. ***What are the effects on retail customers and the retail market from the implementation of marginal transmission losses?***

While a market designed on marginal losses can be a valid market design, implementation in the ERCOT market at this point is a major change, the benefits of which are

[1] TEAM members participating in this proceeding are: AP Gas & Electric, Accent Energy d/b/a IGS Energy; Amigo Energy; Discount Power, Entrust Energy; Hudson Energy; Infinite Energy, Just Energy; Source Power & Gas; Stream Energy; Tara Energy; and Veteran Energy.

16

difficult to quantify. Changing the ERCOT market to incorporate marginal losses could end up being disruptive and costly, especially for existing positions for long load contracts.

For marginal losses, the joint REP Group is concerned that there are resulting costs that are more difficult to hedge. Marginal losses could increase market complexity with a separate hedging product for losses. This could be counter to the desire to have simple and efficient markets. Any aspect of cost that is difficult to hedge has the result of increasing the costs to retail customers.

4. ***The ERCOT study of using marginal transmission losses instead of average transmission losses in SCED simulated one year. How would cumulative, multi-year impacts of using marginal transmission losses be different, if at all?***

5. ***What costs would be incurred by market participants if marginal losses were implemented in the ERCOT market? Please provide an estimate of the costs that would be incurred by your company or companies or customers represented by your organization. Please describe the elements of those costs.***

With implementation of marginal losses, retail electric providers would face significant system changes. It is difficult to quantify the exact fixed and operational costs of implementation, but most REPs have systems for pricing, forecasting, hedging, and billing that would be affected by the implementation of marginal losses. To allow these system changes, there must be adequate timing for the market change from PUC approval. Because of the comprehensive nature of the disruption of the wholesale market, it is estimated that at least at least ten years from adoption of the ERCOT Protocol changes would be required before marginal losses implementation.

6. ***How would a decision to use marginal transmission losses affect your company's market systems?***

7. ***How would a decision to use marginal transmission losses affect your company's internal operations?***

8. ***What are the effects on reliability on the ERCOT grid of using marginal transmission losses instead of average transmission losses in SCED?***

9. *What effects, if any, would marginal transmission losses have on grid hardening and resilience?*

10. *What effects would the use of marginal transmission losses in SCED have on grid reliability in regions of the ERCOT grid where non-synchronous generation is more prevalent?*

11. *How would a decision to implement marginal transmission losses affect investment in new generation resources in ERCOT over the next five years, the next 10 years, and in the years beyond 10 years?*

12. *How would the implementation of marginal transmission losses affect the composition of the generation fleet in ERCOT?*

13. *Assuming the Commission decided to go forward with implementation of marginal transmission losses, what are the key issues related to determining the appropriate treatment and allocation of the marginal transmission loss surplus revenues?*

14. *Does the ERCOT analysis of the benefits of including marginal transmission losses in SCED accurately measure such benefits? Are potential costs to the market or to market participants adequately accounted for?*

15. *What ERCOT operational changes would need to be made that are not considered in ERCOT' s studies?*

16. *Would the use of marginal transmission losses in SCED change the ERCOT transmission planning process and transmission build-out?*

17. *Assuming that the implementation of marginal transmission losses results in the location of generation closer to load, what advantages and disadvantages would there be during an emergency event or a market restart to having generation located closer to load?*

18. *What effects, if any, would the implementation of marginal transmission losses have on the Congestion Revenue Rights (CRR) market?*

19. *How should the Commission direct ERCOT to implement marginal transmission losses in a way that mitigates any deleterious effects on the CRR market?*

20. *Does your assessment of the incorporation of marginal transmission losses change based on the timeline of implementation?*

Yes. If the changes are adopted without adequate time for the market to adjust, it could be highly detrimental to the market and customers.

21. *What are the effects of implementing both Real Time Co-optimization (RTC) and marginal transmission losses on reliability and price formation?*

22. Are there any synergies that may result from contemporaneous adoption of both RTC and marginal transmission losses?

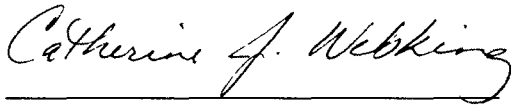
23. What are the effects on retail customers and the retail market from the implementation of both RTC and marginal transmission losses?

The addition of marginal losses may impact the retail market by creating resulting costs that difficult to hedge. Marginal losses could increase market complexity with a separate hedging product for losses. Marginal losses could cause market disruption and add market costs, especially for existing positions for long load contracts. This result could run counter to the desire to have simple, efficient, and transparent markets.

CONCLUSION

To the extent certain questions were not addressed above, the joint commenters in the REP Group expect that other market participants and Commission Staff would be in a better position to offer initial feedback. We look forward to continuing to work with the Commission and stakeholders on these market performance questions.

Respectfully submitted,



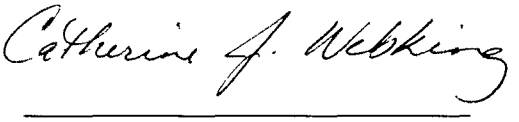
Catherine J. Webking
State Bar No. 21050055
cwebking@scottdoug.com
Stephanie Kover
State Bar No. 24102042
skover@scottdoug.com

SCOTT DOUGLASS & MCCONNICO LLP
303 Colorado Street, Suite 2400
Austin, Texas 78701
512.495.6337
512.495.6399 (facsimile)

ATTORNEYS FOR TEXAS ENERGY ASSOCIATION FOR MARKETERS ("TEAM")

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing instrument has been served in accordance with the governing procedural orders to all parties of record in this proceeding on this the 8th day of October, 2018.



Catherine J. Webking