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PROJECT NO. 48539

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

COMMENTS OF EXELON CORPORATION

Exelon Corporation ("Exelon") appreciates the opportunity to participate in this Project regarding the review of marginal losses in the ERCOT market. The Commission Staff posed a number of questions to stakeholders.[1] Exelon's failure to address any specific question posed shall not be construed as Exelon taking any particular view.

Implementation of marginal losses would represent a fundamental policy shift, with immediate implications across the ERCOT market. Currently, in the ERCOT market, customers and generators are largely ambivalent regarding where they connect to the ERCOT system, and decisions have been based upon that premise. The marginal losses concept introduces a locational aspect impacting where a generation resource connects on the ERCOT grid or from where power is bought, now essentially dictating a locational preference. As such, it reflects a fundamental energy market pricing, interconnection, and transmission planning policy shift. These changes will affect investments by current generators and associated contracts, as well as affecting new resources, creating winners and losers – among generators and individual customers. Additionally, depending on the collection process and the allocation of refunds in the event of an over-collection, marginal losses could easily result in a cross-subsidization issue that must be transparently and fairly resolved. Finally, retail suppliers have entered into (potentially multi-year) contracts based on the current transmission losses cost structure; consequently, if the Commission approves marginal losses, it should require that implementation be 3-4 years after approval, at a minimum.

Aside from the areas in which implementation of marginal losses has a direct and immediate effect, there are certain to be impacts in a variety of other areas that must be considered, most importantly being resource adequacy. Notably, ERCOT estimates that implementation of marginal losses may result in a locational reduction in generator revenues of

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[1] Public Notice of Request for Comments, August 9, 2018.

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$212.5 million annually,[2] at a time when generators are increasingly threatened by the lack of revenues resulting from the scarcity pricing mechanism. Resource adequacy concerns should be resolved first and foremost. Considering the insufficient revenues in the market due to historically low prices over the last several years, it would be imprudent to rush into significant market changes – particularly ones that will erode certain generator revenues -- until improvements to resource adequacy are achieved and stakeholders can best analyze the potential impacts of implementation of marginal losses on any modified scarcity pricing construct.

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Respectfully submitted,

/s/

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[2] *Study of the Operational Improvements and Other Benefits Associated with the Implementation of Real-Time Co-optimization of Energy and Ancillary Services. ERCOT, June 29, 2018.*