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PROJECT NO. 51812

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2021 MAR -6 PM 12:01

ISSUES RELATED TO THE STATE §
OF DISASTER FOR THE §
FEBRUARY 2021 WINTER §
WEATHER EVENT §
§

PUBLIC UTILITY COMMISSION OF
TEXAS

**VISTRA CORP.'S COMMENTS ON IMM'S
RECOMMENDATION TO CAP ANCILLARY SERVICES PRICES DURING EVENT**

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

Vistra Corp. (Vistra) hereby responds to the March 1, 2021 Letter Recommendations of Potomac Economics, Ltd. (IMM's Comments) filed in this project, as follows:

I. RESPONSE

Vistra strongly advises against the Commission ordering ERCOT to change its rules to cap ancillary services at \$9,000/MW/h. To begin with, any going-forward changes to ERCOT rules involving capping ancillary services should follow the ordinary stakeholder process to ensure that all market participants have the ability to weigh in with their viewpoint, and a fully informed decision can be made.¹ ERCOT's market rules should not be abruptly changed.

Moreover, Vistra opposes an order that cherry picks certain prices (i.e., ancillary services prices) to be repriced without considering the other prices that market participants are challenging (e.g., pricing at \$9,000/MWh beyond the time ERCOT ceased shedding load). The Commission should consider opening a Project to address repricing issues for the February 2021 Winter Weather Event holistically, giving all affected market participants the chance to be heard. It would be inappropriate for the Commission to just reprice ancillary services without addressing the other pricing issues and challenges. In this regard, the Commission should, for example, consider that residential customers are typically not affected by ancillary services prices. Additionally, the

¹ The decision to allow ancillary services prices to go above \$9,000/MW/h was not made arbitrarily or without reason. For example, it may be inappropriate to cap ancillary services at \$9,000/MW/h because doing so would skew offers for down Regulation relative to offers for Responsive Reserve Service or up Regulation, since generators providing down Regulation can capture both energy and ancillary service revenue, where generators providing the other services would be limited to \$9,000/MW/h under the IMM's recommended approach.

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Commission should explore whether revising ancillary services prices will adversely affect the economic viability of generation assets that the market needs.

Finally, it is not correct that market participants did not know, or should not have expected, ancillary services prices to go above \$9,000/MW/h. In fact, on Sunday February 14, ERCOT posted a market notice reminding market participants that the ERCOT Protocols dictate that the Day-Ahead Market (DAM) algorithm consider lost opportunity costs associated with capacity providing ancillary services, and because of that, prices can exceed the System-Wide Offer Cap (SWOC) of \$9,000/MW/h.² ERCOT specified that it did not see a need to correct DAM prices for February 15, 2021. The pricing outcomes were reflective of actual scarcity of supply.

II. CONCLUSION AND PRAYER

Vistra requests that the Commission decline to take action repricing only ancillary services during the February 2021 Winter Weather Event as recommended in the IMM's Comments, and urges the Commission to consider any further repricing requests holistically in a proceeding open to all affected market participants.

² ERCOT Market Notice, M-D021421-01 High DAM Responsive Reserve Service Market Clearing Prices for Capacity for Operating Day February 15, 2021. Available at: http://www.ercot.com/services/comm/mkt_notices/archives/5188.

Respectfully submitted,

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