



Control Number: 52373



Item Number: 128

# Public Utility Commission of Texas

## Commissioner Memorandum

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PUBLIC UTILITY COMMISSION  
FILE NO. 52373

**TO:** Chairman Peter M. Lake  
Commissioner Lori Cobos  
Commissioner Jimmy Glotfelty

**FROM:** Commissioner Will McAdams

**DATE:** September 14, 2021

**RE:** Project No. 52373, Item No. 21 – *Review of Wholesale Electric Market Design*

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Since joining this Commission in April, I am proud of the work this agency has performed under the leadership of Chairman Lake throughout the market design process. Undertaking a review of ERCOT market design was never going to be an easy task, but the forums for collaboration by industry participants and regulators have proven to be enormously beneficial.

ERCOT's calls for conservation in April and June, in conjunction with the topics covered in our workshops, have highlighted the importance of a proactive regulatory approach on the part of the Commission. Each of us in our public comments has expressed an interest in moving ERCOT away from a crisis-driven market design that is based on high prices that are experienced only as the system nears physical scarcity.

If the Commission is to accomplish meaningful changes to market design in a timely fashion and to alleviate the regulatory uncertainty that has been dampening investment into new generation, I believe we should direct Staff to open the following rulemakings by the September 23, 2021 Open Meeting:

- **16 Texas Administrative Code (TAC) § 25.505** - Consistent with the requirements of SB 3 and recent Commission discussions, I believe Commission Staff should open this rulemaking to examine and establish: (1) the Emergency Pricing Program, as required by PURA § 39.160; (2) ERCOT's adequacy reports and forecasting; and (3) the Scarcity Pricing Mechanism, including the high system-wide offer cap, potentially decoupling the system-wide offer cap, potentially modifying the Operating Reserve Demand Curve, and setting the value of lost load in concert with examining the minimum contingency level.
- **16 TAC § 25.507** – My comments at the September 2, 2021 Open Meeting highlighted the need to decouple demand response resources from the Emergency Energy Alert levels. I propose that Staff undertake this rulemaking to identify a more conservative trigger for deployment for Emergency Response Service resources and to consider raising the spending limit from the current \$50 million.

I look forward to discussing this matter with you at the next open meeting.