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PROJECT NO. 52373

**REVIEW OF WHOLESALE
ELECTRIC MARKET DESIGN**

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**BEFORE THE PUBLIC UTILITY
COMMISSION OF TEXAS**

**RAYBURN COUNTRY ELECTRIC COOPERATIVE, INC.'S COMMENTS IN
RESPONSE TO THE COMMISSION'S SEPTEMBER 20, 2021 MEMORANDUM**

Rayburn Country Electric Cooperative, Inc. ("Rayburn") appreciates the opportunity to comment on the Public Utility Commission of Texas' ("Commission") September 20, 2021 Memorandum regarding Project No. 52373 - Review of Wholesale Electric Market Design.

Rayburn is not at this time proposing a complete market design. However, there are several guiding principles Rayburn encourages the Commission to keep in mind when considering market design.

1. The Commission Should Take A Holistic Approach

Energy markets are enormously complex, and changing a single aspect of a market can have cascading unintentional impacts on other elements of the market. The Commission should endeavor to create a cohesive approach to solutions and not to just implement a series of one-off measures that respond to emergencies but do not cure the problems in the overall market design. There is no single or simple fix to ensure a more reliable market. Changing one aspect of a market design requires an examination of the impacts of that change on other elements of the market design to ensure that there are not unintended consequences from the change and that the change does not cause any elements of the current design to become moot or counterproductive.

2. The Commission Should Develop Everyday Market Conditions that Promote Reliability

In considering market design, the Commission should ensure that the structure of how the market functions on a daily basis bolsters reliability. The market design for normal operating conditions should provide sufficient incentives for resources that support reliability to enter the

market, whether they be generation, demand response, energy storage or other measures supporting reliability, and for those resources to be sufficiently reliable so that they are available when needed.

Scarcity and emergency measures should not be implemented so often that they become a frequent occurrence that simply reaffirms that the electric grid does not have reliable resources. Energy resources take months to years to construct, and as the Winter Storm Uri event demonstrated, scarcity measures and emergency measures will not be able to bring unreliable resources or new resources immediately to the market in real time. Instead of focusing too narrowly on market design measures that encourage market functioning during extreme events only - such as scarcity and emergency measures - the Commission should seek to establish a market in which the everyday functioning of the market creates a robust and reliable market. Measures that properly compensate generators and other resources, as well as weatherization and reliability requirements for market participants can ensure that, on a daily basis, the market functions in a reliable manner and that sufficient resources enter the market. Indeed, during Winter Storm Uri demand far exceeded available supply not because of capacity insufficiency but due to an unprecedented level of generator outages and derates. A significant amount of generation was simply unavailable and unable to respond at any price. As Rayburn has indicated in prior comments in Project No. 52373, reliability issues should not be addressed entirely by incentives to investment in new generation but also with a myriad of measures to existing generation resources and other options to enhance system reliability.

3. The Commission Should Take Into Account Cost-Effectiveness and Consumer Protections

Reliability is crucial, but to fully protect consumers, it must be obtained in a cost-effective manner. Energy is a critical component of daily life, and many consumers still have difficulty

reducing their usage – particularly those who lack funds to make improvements to their homes, businesses, and equipment. Ensuring the costs of energy remain just and reasonable continues to be an important aspect of market design.

The Commission should consider all cost-effective options -- not only incentivizing new generation to be built in ERCOT. The Commission should also consider the additional benefits of incentivizing new energy storage technologies, refining scarcity pricing concepts, enhancing energy efficiency and demand response programs, improving ERS, revising resource retirement rules, and further integrating renewable generation, all while carefully scrutinizing the cost-effectiveness of these measures. Careful examination of all available options is more likely to lead to reliability that consumers can afford than a narrow focus on a single type of resource or measure.

The Commission must continue to value and ensure the protection of consumers during this market design process. This requires market rules that are fair to consumers and to all market participants. It is patently unfair to ask consumers to bear skyrocketing costs in the type of market emergency and extended blackouts caused by Winter Storm Uri. It does benefit consumers to have financially healthy utilities -- a financially healthy utility is more likely to be a reliable utility. But energy companies should not be able to price gouge during emergencies. In seeking to protect consumers, the Commission must strike a balance between keeping utilities healthy and keeping costs to consumers reasonable.

Respectfully submitted,



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**EXECUTIVE SUMMARY REGARDING THE COMMISSION'S SEPTEMBER 20, 2021
MEMORANDUM**

In considering Market Design, the Commission should:

- Create a cohesive market design and avoid unintended consequences;
- Ensure that the day-to-day functioning of the market provides sufficient incentives to create reliability, without relying on scarcity or emergency provisions to create incentives for new resources to enter the market; and
- Examine all cost-effective measures to create reliability that remains affordable for consumers and does not allow for price-gouging.