Filing Receipt

Received - 2021-12-01 04:26:36 PM
Control Number - 52373
ItemNumber - 263

PROJECT NO. 52373

REVIEW OF WHOLESALE ELECTRIC MARKET DESIGN	**§ §**	**PUBLIC UTILITY COMMISSION OF TEXAS**

COMMENTS OF SIERRA CLUB

The Lone Star Chapter of the Sierra Club respectfully submits these Comments as follow-up to our November 1st and November 11th comments, as well as observations to the November workshops, agenda meetings and recent filings by Commissioners McAdams (Item 249 and 250) and Cobos (Item 253).

The Lone Star Chapter of the Sierra Club has nearly 30,000 members throughout Texas, most of whom are located in the ERCOT region. We and our members have long advocated at the PUC, ERCOT, the Legislature, and at local utilities and cities for clean energy, demand response and other distributed energy technologies, energy efficiency, and adoption of building codes, as ways to reduce energy demand.

Within the next week or so, and certainly before any deadline on filing comments on an Energy Blueprint Plan, we will be filing thousands of signed petitions from everyday Texans urging the Commission to slow down, schedule at least one public hearing where the public can speak on the draft proposal, and ultimately to adopt any market changes only after careful deliberation, the opportunity for public comment, and the development of a robust record. Given your new improved working relationship with the Railroad Commission, there is no reason the PUC could not have a hearing on the first floor or another building that allowed for better public access. While we do not object to decisions made by the Commission on non-controversial items that have broad consensus, we believe major policy changes to our market should at least require a public hearing beyond the normal public input written requirements.

Sierra Club's Position

We are very appreciative of the memo filed by Commissioner Cobos, which discusses changes that can be made in the short (2021) and medium-term (2022) before tackling larger market changes (2023) which could have larger impacts on prices and consumers. The Commission, ERCOT, utilities, merchant generators, and consumers will be bestserved by focusing on changes to the energy and ancillary markets that can be implemented in a non-discriminatory manner, and in a relatively short time frame, before turning to larger market changes which we believe necessitate a longer and more deliberative approach.

With respect to the Cobos Memo, we support the following short-term and medium-term (2022) actions:

- Adoption of a new ORDC with a maximum price of $5,000 and a new MCL of 3,000 MWs;
- Expansion of ERS, both deploying it earlier and increasing the volume during the winter, and potentially expanding the volume the rest of the year as well through a removal of the cap or at least a doubling of the cap;
- Adoption of changes to ancillary services to expand non-spin ancillary services to include loads and potentially storage, an increase in responsive reserves, as well as creation of a new Fast Frequency Response Service;
- Opening up a rulemaking on the TDU Efficiency and Load Management Program, and we hope an expansion of these programs to make our grid more reliable and resilient through consumer-friendly investments in small business and residential buildings. Again, at the expense of being repetitive, only looking at supply solutions to our reliability issue is only looking at half the equation. Please don't forget the demand side of the equation;
- Improving the DG interconnection process. However, we would like to suggest that in addition to improving the process that the PUC should either open up a rulemaking or direct ERCOT to work to make sure that Distributed Generation can fully participate in energy and ancillary markets. These rules or directive should assure that we incorporate distributed energy resources into our energy and ancillary markets, including receiving nodal pricing and allowing for aggregations of resources that are near a bus or node.

We also support a longer-term solution already being pursued through the ERCOT stakeholder process -- and creation of a two-hour ECRS product (likely 2023) that would help with net load variability.

In addition, ERCOT and the Commission should reconsider an idea that has stakeholder support but has never been implemented: multi-interval SCED --also known as MIRTM -- a Multi-Interval Real Time Market. A market that allows bids into several time periods such as 30 minutes or an hour would facilitate and encourage more robust participation by demand response, distributed resources, and quick start resources like battery storage (and possibly gas plants), thereby improving system reliability and reducing overall costs. A MIRTM would improve the efficiency of the short term commitment decisions, dispatch and pricing of resources such as storage and distributed generation, combustion turbine Generation Resources and Load Resources providing demand response by coordinating the commitment and honoring the resources' temporal constraints and by reflecting the physical realities of the system.

It would also provide ERCOT operations with a better understanding of available resources during periods of high demand.. Such a look-ahead market would take time to implement but we believe would enhance the move to real-time co-optimization and allow a better mix of market and ancillary service participation. Indeed, to reduce costs it should be implemented along with co-optimization. We call on the Commission to analyze how development of a 30-minute or one-hour multi-interval real-time market could improve reliability.

Longer-Term Proposals: LSE Obligation, DEC and SRS

In general, the Sierra Club is opposed to longer-term administrative solutions such as the LSE Reliability Obligation, or physical firming requirements on generators, which will be expensive and time-consuming, will fail to ensure reliability, and will undermine the incorporation of new technologies and approaches. In effect, ti creates an administratively complex capacity market. An LSE Reliability Obligation approach will tend to pick winners and losers because it will inevitably favor large retail companies that also own generation. Moreover, it will not incentivize the type of new technologies and resources we needed to incorporate and efficiently utilize existing and anticipated renewable energy resources on our system. We need to create a market that rewards flexibility and dispatchability, not just the capacity contemplated in the LSE obligation approach.

In terms of the SRS, we do believe there may be merit in studying it further, and appreciate that Commissioner Cobos has kept it as a seasonal/annual requirement that would be open to any resource - including demand response -- that could meet the requirements. However, we would want to see a more specific proposal and a cost-benefit analysis to understand how it would impact costs to loads and consumers, and how we would administratively arrive at the volume of the SRS needed. Again, we believe a public hearing on this approach -- as well as on the proposed LSE Obligation -- are needed.

We are also interested in further discussions on the DEC proposal filed by Commissioner McAdams and believe it merits further review. We appreciate that the proposal as envisioned would be self-correcting, meaning that as new investments in newer dispatchable technologies like batteries and fast-responding gas resources occurred, the cost of the DECs would likely decrease, creating a buffer to any higher prices. This is very similar to the RPS obligations, which were met long ago, though a voluntary market in RECs has helped retailers and other load serving entities provide some guarantee of renewable energy to consumers who desire green energy. Having a longer-term goal with yearly obligations to create newer investments in generation that is flexible, fast and can provide energy for at least two hours is a novel approach.

To the extent that the Commission pursues the SRS , we suggest the following approaches.

First, the Commission should initiate a rulemaking or issue a directive to ERCOT to allowing distributed generators to qualify for full participation in the market (i.e. SCED-qualified), thereby allowing them to qualify for the DEC program. If the Commission creates a new market for Dispatchable Energy Credits, any resource that can dispatch energy should be eligible to earn the credit and participate. We understand that it may take time to get those DG resources qualified but would not want to limit participation in the program. Consumers would benefit from allowing distributed resources that can meet the criteria of the program, including storage plus local solar.

Second, while the purpose of the DEC is to create a signal for new dispatchable generation -- in part to meet the requirements of Section 18 of SB 3 -- the concept can and should be expanded to include loads through creation of a Demand Reduction Energy Credit. In other words, if we are going to require loads to contract with generators, or purchase DECs through the market or pay Alternative Compliance Payments, why not give them the option of investing in demand response as a way to meet their obligation. As an example, if the yearly obligation for DEC for ERCOT were 4,000 MWs, the PUC could allow up to 25% -- 1,000 MWs of the obligation to be met with DREC, or some similar number. This would help spur a market in demand response, thus keeping the costs to consumers of the DEC lower.

Finally, we will reiterate our support for a future public hearing on these changes that would allow for any stakeholder or member of the public to address the Commission. In other words, whether the Commission decides to pursue a Load Obligation requirement, a DEC, an SRS or some combination of these, at the very least there should be a public hearing required before adoption of such an approach.

The Sierra Club appreciates the opportunity to file these comments in Project 52373.

Sincerely,

Cyrus Reed

Conservation Director, Lone Star Chapter

cyrus.reed@sierraclub.org, 512-888-9411 (Office)