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PROJECT NO. 52373

**REVIEW OF WHOLESALE
ELECTRIC MARKET DESIGN**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**COMMENTS OF
CONSERVATIVE TEXANS FOR ENERGY INNOVATION**

COMES NOW Conservative Texans for Energy Innovation (CTEI) and files these Comments in response to the Commission's Questions for Comment filed in this proceeding on August 2, 2021. CTEI is a non-profit clean energy education and advocacy organization comprised of thousands of Texans seeking to promote energy innovation and clean energy policies grounded in the conservative principle of common sense, market-based solutions that allow fair competition and provide greater access to clean, affordable, and reliable energy.

Executive Summary

As the Commission considers changes to the ERCOT market to ensure that Texans receive reliable electric service, the Commission should continue to rely on free markets and robust competition to deliver reliable solutions rather than government mandates. Technology neutral market design will deliver better service more efficiently to customers, will save lives in emergencies, and allow Texas to continue to move to a modern energy system.

Comments

The Texas competitive electricity market is at a crossroads. Texas can continue to have one of the most robust competitive markets in the United States, if not the world – with key changes made to ensure that a major disaster like the electricity outages that occurred during Winter Storm Uri never happen again – or Texas can abandon its competitive spirit in favor of central state planning and regulation that squashes innovation and results in higher electricity prices, less competitive options for Texans, and insufficient improvements in reliable operations of the electric

grid. No doubt there are options between these two extremes, but the danger to the competitive electricity market in Texas is real and its future is at stake this and other proceedings before the Commission today.

Texas is the world's ninth-largest economy. We are the energy capital of the world. Texas is blessed with abundant hydrocarbon, wind, and solar resources. We can and should be a leader in how to use all of our natural resources for the benefit of Texans and ensure a reliable electric supply to power our economy.

As an organization that is proud of the entrepreneurial and competitive spirit that is the lifeblood of conservative Texan ideals, CTEI recommends that the Commission take a forward-looking approach to improving the ERCOT market and recognize the ability of emerging energy technologies to ensure more reliable operations in the future. The following are key principals that should guide the Commission's deliberations:

1. **Focus on the Facts:** The Commission must understand the facts of what happened during Winter Storm Uri that led to the massive electrical outages we suffered. Various special interests have sought to point blame at others and deny any responsibility for their actions contributing to the outages. But the Energy Institute at the University of Texas at Austin has prepared an objective assessment of the facts.¹ Moreover, the Commission has the benefit of being able to consider similar assessments conducted by neighboring electric grids that experienced the same inclement weather and had detrimental impacts on their grids as well.²

¹ The Timeline and Events of the February 2021 Texas Electric Grid Blackouts (July 2021) (available at [https://www.puc.texas.gov/agency/resources/reports/UTAustin_\(2021\)_EventsFebruary2021TexasBlackout_\(02\)FINAL_07_12_21.pdf](https://www.puc.texas.gov/agency/resources/reports/UTAustin_(2021)_EventsFebruary2021TexasBlackout_(02)FINAL_07_12_21.pdf)).

² See, e.g., Southwest Power Pool, "A Comprehensive Review of Southwest Power Pool's Response to the February 2021 Winter Storm," July 19, 2021 (available at <https://spp.org/documents/65037/comprehensive%20review%20of%20spp's%20response%20to%20the%20feb.%202021%20winter%20storm%202021%2007%2019.pdf>); SPP Market Monitoring Unit, "Report on February 2021 Winter Weather Event," July 14, 2021 (available at https://spp.org/documents/64975/spp_mmu_winter_weather_report_2021.pdf).

These analyses provide a clear picture of the failings in our energy system that need to be addressed. The Commission will make better decisions when it relies on objective facts to guide its deliberations.

2. **Define the Reliability Risks:** Based on the facts, the Commission should clearly define the actual risks that need to be addressed to improve grid reliability. In the complex electricity market, generalizations will not provide the public or the market participants the specificity necessary to provide clear recommendations regarding meaningful solutions to provide more reliable electric service to Texans. With a clear definition of the risks, the public and the Commission will be armed with clear metrics to evaluate potential solutions that will provide Texans a more reliable electric grid.
3. **Develop Clear Solutions to the Identified Risks:** The Commission should work with industry experts to identify the new services ERCOT needs to address the reliability risks but do so in a manner that is technology neutral and will embrace innovation that will make the energy sector more efficient and resilient. Clarity in the solutions to be implemented will assure Texans that the Commission, ERCOT, and the industry are addressing the causes of the electricity outages and can be held accountable for the implementation of the solutions. Ensuring solutions are technology neutral will allow Texas innovation to benefit the state.
4. **Avoid Quick-Fixes:** The Commission should avoid the temptation for “quick fixes.” The electricity grid is the most complex machine man has built. There are no simple fixes when it comes to addressing the multiple failures that led to the catastrophic blackouts last February. A tweak on one aspect of the market can be expected to have multiple adverse impacts in other parts of the market. The Commission must take the time necessary to ferret out the unintended

consequences from seemingly simple, quick fixes so that it avoids causing more harm than good.

5. **Maintain a Competitive Market:** Competition and choice in the Texas electricity market has allowed innovation and technology to flourish in Texas. Other regions of the country are reforming their electricity markets to be more like Texas because they recognize that our approach is the best path to an affordable, reliable, and resilient electricity system. As was often stated after the outages in February, the failure of our grid was not a market design failure – a capacity market design would have failed as well. Looking forward, the development of additional strategies to improve grid reliability should continue to rely on competition in the marketplace to realize the best results.
6. **Be Open to New Technologies and Innovation:** Embracing new technologies will be key in moving to a modern energy system. For example, the development and deployment of new energy storage technologies will allow greater flexibility to harness low cost electricity when it is available and use it at a later time when we need it. These technologies will break the just-in-time constraints that have bound the electricity industry since its inception. Similarly, new technology is being trialed now that will allow smarter allocation of energy in emergencies to protect residential customers rather than light empty office buildings.³ Texas should embrace these changes that can improve reliable operations of the grid and save lives.

There is no doubt that the electricity outages this past February were a tragedy of epic proportions. The Commission and ERCOT have the duty to improve the electricity market to prevent similar failures in the future. But how the Commission and ERCOT approach this task

³ Adele Peters, “During a power outage, this tech keeps the electricity on in the most important places,” Fast Company (August 11, 2021) (available at <https://www.fastcompany.com/90664281/during-a-power-outage-this-tech-keeps-the-electricity-on-in-the-most-important-places>).

is critical. CTEI encourages the Commission and ERCOT to employ a fact-based, methodical, and transparent approach to ensure a more reliable electric grid for Texans and rely on free markets and robust competition to deliver reliable solutions rather than government mandates.

Conclusion

CTEI appreciates the opportunity to provide these Comments and looks forward to working with the Commission and other interested parties on these issues.

Respectfully submitted,

A handwritten signature in black ink that reads "Matt Welch". The signature is written in a cursive style with a large, stylized initial "M".

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