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PROJECT NO. 52373

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

COMMENTS OF TEXAS ELECTRIC COOPERATIVES, INC.

Texas Electric Cooperatives, Inc. (TEC) respectfully submits these comments in response to the Public Utility Commission of Texas (Commission) Staff request for written comment filed in Project No. 52373 on December 6, 2021. TEC is the statewide association of electric cooperatives operating in Texas, representing its members except as their interests may be separately represented.¹

I. Summary of Comments on Phase II Concepts and Principles

TEC shares the Commission’s goal of reforming the wholesale market to ensure “the supply of dispatchable generation is sufficient to meet system demand in ERCOT.”² TEC further agrees with many of the principles supporting the concepts outlined in the Staff memorandum.³ While some combination of the Phase I and II proposals described in the memorandum may provide incentives to dispatchable generation, TEC respectfully asks that the Commission undertake additional analysis to establish evidence that these reforms will produce the types of new capacity needed to better secure reliability and resiliency before committing to fundamental changes. Based on the information available on the concepts described in the memorandum, TEC is not able to identify with any certainty which Phase II proposal will produce new dispatchable supply in a manner that adheres to the stated principles.

¹ TEC’s 75 members include distribution cooperatives that provide retail electric utility service to approximately 4,000,000 consumers in statutorily authorized service areas that encompass more than half of the total area of the state. TEC’s G&T members generally acquire generation resources and power supply for their member distribution cooperatives and deliver electricity to them at wholesale.

² Project No. 52373, Review of Wholesale Electric Market Design, *Public Utility Commission of Texas Staff Memorandum* at 4 (Dec. 6, 2021) (“Memorandum”).

³ Memorandum at 4-5.

The Commission has committed to a variety of reforms in Phase I of their review⁴ – these elements will interact with each other and with Phase II concepts because the market is interdependent and reciprocal. Although TEC understands the Commission’s need to take quick action to motivate investors to locate capital in ERCOT, TEC recommends the Commission implement its Phase I reforms and then further assess Phase II structural reforms in light of the actions taken in Phase I. This review may be conducted by the Commission’s consultant the Brattle Group (Brattle). Brattle should complete its analysis to provide needed quantitative information regarding how the disparate market design reforms will affect short- and long-run outcomes in consideration of the Commission’s objectives. TEC further recommends the Commission periodically review the effectiveness of the approved reforms.

II. Additional Information is Needed Regarding Costs and Resource Adequacy Impacts of Phase I and II Market Reforms

TEC appreciates Brattle’s contributions to the record in this project as the Commission’s independent consultant. In addition to its work on the Operating Reserve Demand Curve (ORDC), Brattle evaluated two long-term proposals. TEC believes the first concept is similar to the E3 Load-Serving Entity Obligation (LSEO) and the second concept is similar to the Backstop Reliability Service (BRS) proposal outlined in the Staff memorandum. According to Brattle, both support resource adequacy (with the LSEO earning two resource adequacy “checkmarks” and the backstop service receiving one) and both contribute to additional costs on the generation portion of consumers’ bills (+7% and +3% respectively).⁵ TEC asks that Brattle produce a similar analysis of the Dispatchable Energy Credits (DEC) program, which has not been studied. Further, because the Staff memorandum appears to consider the possible implementation of both a load-side requirement and the BRS (the “hybrid model”), TEC recommends that Brattle additionally assess the cost and resource adequacy impacts of a combination of LSEO and BRS and a combination of the DEC proposal with BRS.

In addition to assessing these combined proposals, TEC also recommends that Brattle incorporate certain Phase I elements into its analysis, including changes to the ORDC, the winter fuel firming service, the voltage support product, and the ERCOT Contingency Reserve Service

⁴ Memorandum at 2-3.

⁵ *Market Design Options for Managing Reliability in ERCOT* at 6 (Nov. 19, 2021). Available at: http://interchange.puc.texas.gov/Documents/52373_255_1168764.PDF

(ECRS) product. An analysis of these elements in concert will reveal a more complete picture of how Phase II reforms will interact with a market that includes the Phase I elements listed above.

Further, TEC asks that Brattle provide the numbers and assumptions behind its recommendations to specify how the proposals quantitatively impact cost and resource adequacy and elaborate on how the proposals adhere to the Commission’s stated principles. While TEC believes a load-side obligation and/or a BRS could support additional dispatchable capacity with the desired reliability attributes, TEC asks that Brattle first complete its analysis to provide this assurance based on data and in consideration of the full set of market reforms described in the memorandum. Rather than resource adequacy “checkmarks” or undefined cost increases on total bill, TEC requests the underlying data and analysis be revealed to the market.

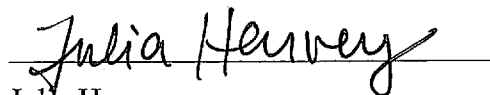
TEC agrees with the comments of Eolian, L.P., which state that proponents of the LSEO should be able to specify its impacts in terms of “what type of generation, with what attributes, on what timeline and at what scale”⁶ and TEC would ask for similar analysis of the DEC program, the BRS, and a hybrid model. Brattle should produce this analysis. With regard to Phase II proposals, TEC also asks that the Commission instruct ERCOT to provide estimates of implementation costs and timelines with the underlying assumptions fully explained.

III. Conclusion

TEC looks forward to continued participation in this project and is available to provide any additional information that may be helpful to the Commission.

Dated: December 10, 2021

Respectfully submitted,



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⁶ *Comments of Eolian L.P.* at 10 (Dec. 1, 2021).

Texas Electric Cooperatives, Inc. (TEC)
**Executive Summary of Comments – Project No. 52373, Review of the Wholesale Electric
Market Design**

Assess Costs and Resource Adequacy Impacts of Proposed Market Reforms

TEC shares the Commission’s goal of reforming the wholesale market to ensure “the supply of dispatchable generation is sufficient to meet system demand in ERCOT.”

However, until Brattle completes its analysis, TEC is not able to identify with any certainty which Phase II proposal(s) will produce new dispatchable supply in a manner that adheres to the stated principles.

TEC recommends that Brattle assess the cost and resource adequacy impacts of the Dispatchable Energy Credits (DECs) program, a combination of the Load-Serving Entity Obligation (LSEO) and Backstop Reliability Reserve (BRS), and a combination of the DEC proposal with BRS (the “hybrid model”).

In addition to assessing these combined proposals, TEC also recommends that Brattle incorporate certain Phase I elements into its analysis, including changes to the Operating Reserve Demand Curve (ORDC), the winter fuel firming service, the voltage support product, and the ERCOT Contingency Reserve Service (ECRS) product.

TEC asks that Brattle provide the numbers and assumptions behind its recommendations to specify how the proposals quantitatively impact cost and resource adequacy and elaborate on how the proposals adhere to the Commission’s stated principles. ERCOT should also provide cost and implementation timeline estimates for the Phase II proposals.

TEC further recommends the Commission undertake periodic assessments of approved market design reforms to evaluate their effectiveness.