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PROJECT NO. 52373

**REVIEW OF WHOLESALE
ELECTRIC MARKET DESIGN**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

In response to the Project 52373 memo filed by Ben Haguwood from Market Analysis (“Phase II”) on December 6, 2021, WattBridge Energy (“WattBridge”) respectfully submits these comments for consideration.

WattBridge agrees with and supports the concepts and principles outlined for the Phase II programs encompassing the Load-Side Reliability Mechanism and the Backstop Reliability Service. However, neither program incorporates a mechanism to facilitate investment in new generation, particularly dispatchable generation. Increased revenues in the market do not translate to the certainty of revenue over a multi-year investment horizon required by lenders. Without financial certainty in debt repayment, there simply will not be investment in new generation within ERCOT. WattBridge lenders have repeatedly confirmed this in our process of raising \$1.25 billion in capital for 1800 MW of new generation that are in operation or under construction in ERCOT during the last 24 months. Without assurance for debt repayment, none of the changes discussed in Phase II will translate to new generation investment in the near or medium term.

WattBridge suggests a modification to its investment firming proposal filed on November 10, 2021, as a subset of the Backstop Reliability Service (“BRS”) enumerated in Phase II. Targeted for new generation with a future on-line date and dispatchable characteristics desired and defined under BRS, the selected projects would qualify to receive the investment firming floor price solely to ensure repayment of the debt used to finance the new generation resource. The floor price does not provide any return on or the recovery of equity; rather it provides a backstop to facilitate necessary new project financing. The main BRS program would continue to provide the targeted revenue stream for existing generation consistent with the outlined concepts and principles.

WattBridge’s proposed BRS New Generation Track (“New Gen Track”) has the following benefits:

- There is no upfront payment. The investment firming floor price as currently proposed of \$5.50/kw-month is a contingent payment occurring only if the new projects participating in this Track are unable to achieve this minimum level of net revenues from the ERCOT market. A backcast for 2018 – 2020 shows that the market would have provided revenues on average of \$8.37/kw-month, significantly above the proposed firming floor of \$5.50/kw-mo. As a result, there would have been no payment by ERCOT.


- This program can be implemented immediately. New Gen Track participants would look to the existing current market of energy and ancillary services for its net revenues, which allows new generation resources to immediately capture value from the competitive market construct. Participants would not have to wait for the development and implementation of the Load-Side Reliability Mechanism or BRS for transactions and pricing to actualize. As new products are enacted (such as the Load-Side Reliability, BRS, ORDC, and others described in Phase I), they will present additional market revenue opportunities which should make the triggering of the contingent firming floor payment even more remote.
- The New Gen Track can be dynamically adjusted. The Public Utility Commission of Texas (“PUCT”) can alter the sizing of the requested volume, the dispatchable characteristics, or even the contingent payment level of the program to target specific reliability needs based on changes in load and generation mix.
- It is technology agnostic but responsive to the grid needs as originally proposed in Commissioner Cobos’ November 18, 2021, Memorandum.
- Selected Track participants will be subject to all of the other requirements of BRS such as seasonal testing to meet specific operational parameters and non-performance penalties.
- The New Gen Track is limited in duration. After New Gen Track participants’ original project financing has been repaid, these generation resources continue to participate in the competitive marketplace alongside existing generation without the contingent floor payment feature.

WattBridge’s proposed investment firming approach is based on our direct experience over the past two years with the project financing requirements of dispatchable, fast-start generation needed to prevent ERCOT from facing repeated intermittency and ramping-induced reliability crises. Existing generation will not address this basic reliability problem. The proposed approach would generate immediate and new investment with operational characteristics that directly address the significant intermittency and ramping risks that exist today and will continue to grow for the foreseeable future. In contrast, even under a best-case scenario, implementing Phase II as currently outlined will take several years and require several other improvements in market structure to actualize the required price signal and commensurate response that will result in building new generation.

We respectfully request that the PUCT include this modification to BRS to address the core project financing challenge for new investments as one of the elements of Phase II market design. As modified, this enhanced design will kickstart new dispatchable, fast-start generation investment in ERCOT.

Dated: December 10, 2021

Respectfully submitted,



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