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PROJECT NO. 52373

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

COMMENTS OF RAYBURN COUNTRY ELECTRIC COOPERATIVE, INC.

Rayburn Country Electric Cooperative, Inc. (“Rayburn”) files these Comments in response to the Public Utility Commission of Texas (“Commission”) Staff request for written comments filed in Project No. 52373 on December 6, 2021. Rayburn thanks the Commission for the opportunity to submit these written comments and participate in the Commission’s review of the Texas wholesale market design.¹

I. Background

Rayburn is a Texas-based generation and transmission electric cooperative that operates on a not-for-profit basis and, through its four distribution electric cooperative members,² provides power to approximately 225,000 consumers in Northeast Texas, of which about 90% are residential consumers. Rayburn and its members are the sole providers of electricity to those consumers.

II. Commission Action Since Winter Storm Uri

Since February 2021, the Commission has taken beneficial corrective actions to ensure the havoc caused by Winter Storm Uri does not happen again, including adopting rules related to weather emergency preparedness in Project No. 51840 and reducing the high system-wide offer

¹ Rayburn files these comments without waiver or admission of any kind as to the PUCT’s jurisdiction over any claims and defenses and with full reservation of all rights, claims and defenses. Additionally, Rayburn has commented on several of the Phase I issues in the above-captioned proceeding and nothing in these comments should be viewed as any kind of departure from or waiver of previous comments.

² Rayburn’s member cooperatives are Fannin County Electric Cooperative, Inc., Farmers Electric Cooperative, Inc., Grayson-Collin Electric Cooperative, Inc., and Trinity Valley Electric Cooperative, Inc.

cap (“HCAP”) from \$9,000 per MWh to \$5,000 per MWh in Project No. 52631 — a recognition of the disastrous financial impact the \$9,000 HCAP had on the ERCOT market and consumers.³ Rayburn appreciates the complexity of the Commission’s task in adopting a market design proposal, as well as the urgency of addressing reliability issues. But, Rayburn would urge the Commission to continue focusing its near-term efforts on weatherization and reliability aspects of the ERCOT market, including implementing the recommendations set out in the FERC-NERC Winter Storm Uri Report to enhance grid reliability standards,⁴ rather than rushing through a complex market design plan without providing adequate time for rigorous analysis and stakeholder engagement. A complex market re-design should be supported by well-developed analyses, including cost-benefit and reliability analyses, and analyses of the extent to which various measures if implemented may overlap and in effect render one moot in light of another, or may work against one another causing inefficiencies or investment disincentives. Insufficient information is available to the parties at this time to provide meaningful and well-informed comments to the Commission regarding complex topics on short notice.

III. Summary of Comments on Phase II Proposal

A. The Commission Should Provide a Comprehensive Market Design Plan

As Rayburn has urged throughout this proceeding, the Commission should look at market design holistically and provide a comprehensive and cohesive design blueprint for stakeholders to analyze. Approaching market design in a piecemeal basis makes it difficult for stakeholders to provide the Commission fully informed comments and limits stakeholder participation in these

³ Rayburn’s position, as stated in Comments filed in Project No. 52631, is that the Commission should consider further reducing the HCAP in light of other market design measures. \$5,000 MWh is still too high.

⁴ FERC-NERC, Regional Entity Staff Report: The February 2021 Cold Weather Outages in Texas and the South Central United States at 18-20 (November 2021); <https://www.ferc.gov/media/february-2021-cold-weather-outages-texas-and-south-central-united-states-ferc-nerc-and>.

proceedings. Specifically, trying to analyze each idea in isolation on an accelerated basis will not yield the same beneficial results as if the Commission issued a fully formed market design plan where stakeholders could see how each element works together and weigh the costs and benefits of each proposal in context. Stakeholders cannot properly weigh proposals issued in isolation because changing one aspect of market design requires an examination of the impacts of that change on other elements of market design to ensure there are not unintended consequences that could lead to changes being moot, counterproductive or unnecessarily costly to consumers.

To provide a robust analysis, stakeholders need to review and comment on a comprehensive market design proposal because substantial complications arise in evaluating the benefits and costs of market design with the sheer number of proposed changes and when such proposed changes are coupled with ongoing operational performance enhancements. First, the proposed changes under consideration by the Commission could have a wide range of impacts depending on the individual assumptions (which are substantially unspecified). Second, the proposed changes have to be examined in relation to each other, which provides for an even wider range of impacts and outcomes, with different permutations depending on which proposed changes are ultimately adopted. Third, even with these complexities, any proposed analyses of market design changes should incorporate new Commission or NERC reliability requirements rather than historical standards in order to provide an accurate estimate of benefits and costs. Stakeholders deserve to understand the full range of benefits and costs to discern the least-cost solution and the increased reliability that each proposal will provide.

Additionally, the Commission should exercise caution in adopting overlapping approaches to market design. If properly implemented, certain Phase I market design concepts, including changes to the Operating Reserve Demand Curve (“ORDC”) and Emergency Response Service

(“ERS”) Reform should provide additional dispatchable generation to the ERCOT market and increase reliability. Adopting a Load-Side Reliability Mechanism, which continues to appear to be a capacity market in disguise, in Phase II could obviate the need for some of these Phase I reforms, thus adding costs for consumers without creating the level of incremental improvements needed to justify those costs. The overlapping nature of many of the market design proposals highlights the utility in the Commission issuing a comprehensive proposal.

Failing to issue a comprehensive proposal could also result in the Commission prematurely committing to the Phase II proposals which runs the risk of gold plating market design and would likely result in higher than necessary increased costs to consumers and could also result in other unintended consequences. At this stage, the Phase I proposals are not yet complete, as there has been no notice of proposed rulemaking or draft market rules, let alone the market analyses and expert testimony expected in a regulatory proceeding of this magnitude. To better evaluate both the Phase I and Phase II proposals, the Commission should request from its independent consultant, Brattle, and make public for stakeholder review and comment, a comprehensive analysis that demonstrates the costs and benefits of all proposed market design components, as well as an analysis of the least-cost combination of market reforms that would provide significant reliability improvements at the lowest cost to consumers.

B. Load-Side Reliability Mechanism

As to the Phase II LSE Obligation proposals, the Load-Side Reliability Mechanism creates a capacity market by another name. LSE Obligations met solely or primarily through bilateral contracting with generators out of sight of the Commission and ERCOT, and where parties have little information about what is being offered to others creates significant potential for gaming and other unfavorable outcomes from pressured negotiations in a “forced purchase” capacity regime.

capacity regime. An LSE may also face substantial risks associated with contractual obligations including performance requirements. Furthermore, unlike in a traditional capacity market, the Phase II proposals do not provide for a price cap mechanism similar to the price of market entry that most established capacity markets set as a way to limit costs. Stakeholders should be able to analyze the costs of all proposals, including the costly Load-Side Reliability Mechanism before providing comments.

While Rayburn supports measures that properly compensate generators for the services needed to improve reliability, Rayburn is concerned that each of the proposed Phase II design elements is likely to add costs for market participants while no persuasive evidence has been offered that these measures would actually provide a sufficient incremental incentive over and above the Phase I improvements to bring additional dispatchable generation to the market.

IV. Conclusion

Rayburn thanks the Commission and Staff for the opportunity to provide comments in the above captioned docket. As noted in these comments, Rayburn continues to support changes that increase the reliability of the grid and looks forward to continued participation in the Commission's market design project.

Dated: December 10, 2021

Respectfully submitted,


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with permission*

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ELECTRIC MARKET DESIGN**

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**BEFORE THE PUBLIC UTILITY
COMMISSION OF TEXAS**

**RAYBURN COUNTRY ELECTRIC COOPERATIVE, INC.’S
EXECUTIVE SUMMARY OF COMMENTS**

In adopting market design proposals, Rayburn recommends that:

- The Commission continue focusing on the weatherization and reliability aspects of the ERCOT market, including implementing the recommendations set out in the FERC-NERC Winter Storm Uri Report to enhance grid reliability standards.
- The Commission should look at market design holistically and provide a comprehensive and cohesive market design blueprint for stakeholders to analyze.
- The Commission should exercise caution in adopting overlapping approaches in Phase I and Phase II.
- The Commission should be wary that prematurely committing itself to the Phase II proposals without a well-studied and holistic market design runs the risk of gold plating and may result in higher than necessary costs to consumers and other unintended consequences adverse to the intent of the untested proposed market design.
- The Commission should request from its independent consultant, Brattle, and make public for stakeholder review and comment, a comprehensive analysis that demonstrates the costs and benefits of all proposed market design components, as well as an analysis of the least-cost combination of market reforms that would provide significant reliability improvements at the lowest cost to consumers.
- The Load-Side Reliability Mechanism creates a capacity market by another name.
 - LSE Obligations met solely or primarily through bilateral contracting with generators out of sight of the Commission and ERCOT, and where parties have little information about what is being offered to others creates significant potential for gaming and other unfavorable outcomes from pressured negotiations in a “forced purchase” capacity regime.