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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 on the Commission's Second Strawman on Market Design filed in this proceeding on December 6, 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.

COMMENTS

In previous comments on this proceeding, CTEI has emphasized key principles that the Commission should adhere to as it considers potential changes to the ERCOT market design.

Briefly, those principles are:

1. Focus on the Facts
2. Define the Reliability Risks
3. Develop Clear Solutions to the Identified Risks
4. Avoid Quick Fixes
5. Maintain a Competitive Market
6. Be Open to New Technologies and Innovation

In general, the enhancements to the ERCOT market design that the Commission has included in Phase I of its Second Strawman Blueprint are consistent with these principles. However, the Phase II Market Design Proposals remain a mixed bag. The proposed Dispatchable Energy Credits proposal and the Backstop Reliability Service are consistent with these principles: (1 and 2) they are focused on addressing reliability risks that have been identified based on facts; (3) they are clear solutions to the identified risks; (4) they are based on analysis of the risks and

are not knee-jerk reactions; (5) they are generally consistent with the ERCOT competitive market; and (6) both are open to new technologies and innovation.

In contrast, the various forms of Load-Serving Entity (LSE) Obligations described in the Commission's December 2 Memorandum are not consistent with these key principles. What happened during Winter Storm Uri in February does not support the need for these new regulatory requirements. In fact, the proponents of the initial LSE Obligation said that the market design change would not have avoided the grid failure that occurred. Thus, the facts do not support these proposals, and they are not addressing the reliability risks that the grid failure in February exposed.

In addition, many stakeholders have filed comments in this proceeding expressing concern that the LSE Obligation is inconsistent with the ERCOT competitive market and will seriously undermine its continued viability. Not only are there serious concerns about the potential for market power abuses that have been identified by the Independent Market Monitor (IMM), but others have expressed concern that the requirements of the LSE Obligation will significantly undermine the ability of new retail competitors to enter the market. Finally, while the LSE Obligation theoretically is open to new technologies and innovation, the proposed accreditation process would discriminate against those very technologies in favor of older generation resources that have been on the grid for decades.

The Commission has made significant progress to making changes to the ERCOT market that will improve reliability of the ERCOT grid. As the Commission continues its deliberations, though, it should not lose sight of the key principles CTEI has supported throughout this process. CTEI urges the Commission to rely on free markets and robust competition to deliver reliable solutions rather than government mandates. Of the various proposals it is considering, the group of LSE Obligation proposals are inconsistent with these principles and also would not have

prevented the blackouts during Winter Storm Uri. As a result, they do not warrant further consideration.

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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