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PUC PROJECT NO. 52373

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

ORSTED ONSHORE NORTH AMERICA LLC'S WHOLESALE ELECTRIC PHASE II MARKET DESIGN RECOMMENDATIONS

Orsted Onshore North America LLC ("Orsted") appreciates this opportunity to offer recommendations in response to the memorandum issued by the Staff of the Public Utility Commission of Texas ("Staff") on December 6, 2021. Orsted stands ready to work in collaboration with the Commission and looks forward to working with the Commission and Staff as it continues to review wholesale electric market issues.

I. INTRODUCTION

Orsted is a global clean energy company with an onshore portfolio of over 4,700 megawatts (MW) of renewable energy generating assets in operation or construction, including a majority located in ERCOT, the nation's leading market for competitive renewable energy. Orsted and its financial partners have invested over $2.5 billion across 11 utility-scale solar, storage, and wind projects in operation and under construction in the Electric Reliability Council of Texas ("ERCOT") market alone, representing an installed capacity of more than 1,850 MW. Our projects generate electricity that powers hundreds of thousands of homes, have created 2,000 construction and long-term operations jobs, and continue to invest hundreds of millions in tax revenue and landowner payments that benefit local communities, school districts, and help landowners keep their property in the family for future generations.

The Commission's Phase 1 market design changes are important first steps towards enhancing the ancillary services market and increasing revenue for generation units offering ancillary services. As the Commission continues to examine wholesale electric market design issues in the wake of the Winter Storm Uri outages, Orsted encourages the Commission to evaluate the costs of the Phase 1 changes compared to the value added by those market design measures in order to inform adjustments that may be required before and after implementation. Orsted also encourages the Commission to adopt a non-discriminatory approach to market design that fosters generation growth and investment in ERCOT and

considers the potential impact that changes to market design will have not only on the owners and operators of generation in ERCOT, but also on those who pay for power under existing power purchase contracts.

II. CONCLUSION

Orsted respectfully requests that the Commission consider the attached executive summary and appreciates the opportunity to provide the Commission and Staff with these recommendations regarding the Phase II wholesale electric market design proposals in this matter. Orsted is available to discuss or provide additional information deemed to be helpful during the course of this proceeding.

Respectfully submitted,

/s/ Philip Moore
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ORSTED ONSHORE NORTH AMERICA LLC'S WHOLESALE ELECTRIC MARKET DESIGN PHASE II RECOMMENDATIONS EXECUTIVE SUMMARY

Orsted recommends the following with regard to the Commission's Phase II market design proposals:

- ERCOT should discontinue out-of-market reliability unit commitments and excess reserve commitments in an effort to:
  - allow prices to form in a way that encourages generation investment;
  - maintain ERCOT's ability to recall generation and transmission outages for both reliability and economic purposes to align with other regional transmission organizations and independent system operators and to ensure that recallable outages do not drive market price outcomes;
  - maintain the energy-only market construct and the existing contracting and generation investment structure which, since 2020, has resulted in the addition of 2,769 MW of new thermal generation to be brought online by 2022, and an additional 4,566 MW of battery storage by 2023, based on ERCOT's most recent Generation Interconnection Status Report and Capacity, Demand, and Reserves Forecast.
- Orsted favors the study and potential development of a backstop reliability service that is capable of procuring firm dispatchable generation resources. This service could be effective in accomplishing the Texas Legislature's objective of enhancing revenues for a subset of generators that are capable of providing reliability value to the market but are not able to do so under the current market constructs. These resources should be funded by a pass through charge to market participants with an evaluation of the expenditures to take place in every even-numbered year, similar to the integrated resource planning process in SPP. This will ensure that resources are receiving sufficient, but not excessive, market-supported revenue.
  - Participating generators should be required to have a guaranteed fuel supply that is on-site in the event of a major fuel supply disruption. This requirement aligns with resources like wind, solar, battery, nuclear, and biomass that are not impacted by force majeure events that disrupt fuel supplies.
- Orsted favors the study and potential development of a dispatchable energy credit program to satisfy the Texas Legislature's objective of encouraging development of new, fast-ramping dispatchable generation resources that are designed and implemented to provide proper market signals and drive investment in those resources.
  - LSEs should be required to comply with the assigned value from a newly-developed Winter load metric, rather than the ERCOT 4CP.
  - If implemented, the qualifications for participation in the dispatchable energy credit program should continue to be evaluated to ensure that the program is achieving the desired results.
- Orsted proposes that any load-side reliability mechanism developed should not include a LSE reliability obligation as that would be a step towards re-regulation and would remove liquidity and competition from the market. The Commission should either maintain a true energy-only market or consider the potential for a capacity market in the ERCOT power region.