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March 28, 2022

Chairman Peter Lake
Commissioner Will McAdams
Commissioner Lori Cobos
Commissioner Jimmy Glotfelty
Public Utility Commission of Texas
1701 N. Congress Avenue, 7th Floor
Austin, Texas 78701

RE: Project No. 52373, *Review of Wholesale Electric Market Design*
Phase II Long-Term Load-Side Reliability Solution

Dear Chairman and Commissioners:

The Alliance for Retail Markets (“ARM”) represents a significant coalition of retail electric providers (“REPs”) in Texas that provide competitive retail electric service to residences and businesses across the state.¹ ARM believes that fair and open competitive electricity markets produce the best prices, products, and services for customers. Essential for a robust competitive retail electric market is a wholesale market design that is transparent and incentivizes long-term reliability.

In evaluating long-term reliability solutions, ARM maintains that the following elements are important to consider to help ensure the continued health of the retail electric market:

- Load-side reliability solutions could provide transparent and manageable costs for REPs. Such solutions should be designed to enable REPs to proactively cover supply sources for their anticipated load, which is similar in principle to the need for REPs to hedge their energy needs in today’s market structure. This is a healthy activity that should be encouraged by the ERCOT wholesale market design.
- The continued success of the retail electric market depends on the ability of REPs to know and manage costs. When costs are understood and risks are manageable, competition will drive the greatest value for customers.

¹ The members of ARM participating in this project are Calpine Retail (Calpine Energy Solutions and Champion Energy Services); Constellation New Energy, Inc; NRG Retail Companies (Reliant, Green Mountain Energy Company, U.S. Retailers LLC (Cirro Energy and Discount Power), Stream SPE, Ltd., XOOM Energy Texas, LLC, and the Direct Energy family of retail electric providers); and Vistra Corp. (4Change Energy, Ambit Energy, Express Energy, TriEagle Energy, TXU Energy, and Veteran Energy).

- Patchwork fixes (e.g., increased ancillary service procurement and Reliability Unit Commitment (“RUC”) utilization) may shore up reliability in the shorter term but may create negative long-term reliability consequences and lead to higher prices for customers.
- The sooner the Commission concludes its evaluation of Phase II market design proposals, the sooner REPs can plan for the future to help ensure the prices REPs offer customers are realistic and as stable as possible.

While ARM is not advocating for any specific Phase II proposal at this time, ARM believes that a long-term load-side reliability solution could help ensure reliability and stability of the ERCOT market. To that end, two proposals filed in this project, the Load Serving Entity Reliability Obligation (“LSERO”) proposal and STEC’s Reliability Service proposal, warrant further consideration by the Commission. ARM strongly supports the Commission continuing its evaluation, development, and refinement of these Phase II concepts, and each of our members have different issues they will be seeking to work through depending on the Phase II mechanism the Commission ultimately adopts.

The competitive retail electric market is the crown jewel of the ERCOT market that has provided Texans and Texas businesses with a wide array of innovative electricity products and service plans. ARM appreciates the Commission’s thoughtful work to improve the ERCOT wholesale market design as it is the foundation upon which ERCOT’s retail competitive market will continue to thrive. ARM and its members are committed to continuing to participate in the Commission’s Phase II efforts to design a solution that incentivizes long-term reliability so that our competitive electricity market continues to produce innovative products and services at the best value for customers.

Sincerely,

ALLIANCE FOR RETAIL MARKETS



By: _____

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