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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 in response to Texas Competitive Power Advocates' letter filed with the Commission on March 25, 2022. 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

On March 25, Texas Competitive Power Advocates (TCPA) filed a letter with the Commission advocating that the Commission rush a decision to adopt market design changes that meet four principles that TCPA outlined. First among these principles was that the Commission "Establish a Mandatory Reliability standard." While CTEI agrees that extended discussions regarding ERCOT's market design adds uncertainty to the ERCOT market and undermines the ability of investors to decide whether they should commit significant capital to the development of new generation resources in the ERCOT region, a headlong dive into adopting a forward capacity market is the wrong approach. As was made clear in the discussions in Project No. 40000, *Commission Proceeding to Ensure Resource Adequacy in Texas*, in 2012-2014, adoption of a mandatory reserve margin as advocated by TCPA would require the Commission to implement a forward capacity market in order to meet that new requirement. Commission consideration of a forward capacity market is not a frivolous undertaking that can be hurried along, especially when the Commission has no robust analysis that would quantify the costs and benefits of

implementation of a capacity market compared with the costs and benefits of more targeted changes to the ERCOT market structure that would improve reliability. Moreover, even after such an analysis were prepared and subject to open debate and verification, as FTI Consulting has discussed in its comments in this proceeding,¹ the implementation of a capacity market requires a multi-dimensional analysis and requires 3-5 years of iterative processes for the development of the market framework alone as well as ongoing refinement and marketing. Accordingly, TCPA's suggestion that the Commission should evaluate the Phase II proposals before it and "make a policy decision this year" to implement a capacity market as TCPA has advocated is misguided at best and is a call for the Commission to ignore its responsibilities to Texas consumers.

It also should be recognized that the March 28, 2022, filing by the Alliance for Retail Markets was supported by affiliates of generators that are members of TCPA advocating for the implementation of a capacity market, namely Calpine, Constellation, NRG, and Luminant. These same retail providers also are advocating for the Commission to adopt a capacity market, and, as a number of commenters have noted in comment in this proceeding, a market structure such as the Load Serving Entity Reliability Obligation would significantly favor them and their affiliated generators. Moreover, the forward capacity market proposed by STEC with its limited focus on thermal generation resources would benefit these same affiliated generators.

At the outset of this proceeding, CTEI submitted comments² in which it recommended that "the Commission should continue to rely on free markets and robust competition to deliver reliable solutions rather than government mandates." As CTEI commented then:

Competition and choice in the Texas electricity market has allowed innovation and technology to flourish in Texas. Other regions of the country are reforming their electricity markets to be more like Texas because they recognize that our approach

¹ See FTI-CL Comments on DPS Proposal (Dec. 1, 2021); FTI-CL Comments on Market Design Proposals (Dec. 10, 2021); and FTI-CL Memo on Qualitative Assessment of Policy Proposals in Energy Markets (Mar. 7, 2022)

² CTEI Comments (Aug. 16, 2021).

is the best path to an affordable, reliable, and resilient electricity system. As was often stated after the outages in February, the failure of our grid was not a market design failure – a capacity market design would have failed as well. Looking forward, the development of additional strategies to improve grid reliability should continue to rely on competition in the marketplace to realize the best results.^{3]}

CTEI continues to believe that free markets are the best option for Texans and the ERCOT Region and respectively recommends that the Commission reject calls to transition ERCOT to a centralized command and control electric grid that turns its back on the benefit of competition and free markets.

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, flowing style.

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³ *Id.* at 5.