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Public Utility Commission of Texas

Commissioner Memorandum

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COMMUNICATIONS
SECTION

TO: Chairman Peter M. Lake
Commissioner Lori Cobos
Commissioner Jimmy Glotfelty

FROM: Commissioner Will McAdams *WM*

DATE: April 20, 2022

RE: Project No. 52373 – *Review of Wholesale Electric Market Design*

As discussed during the March 31, 2022 Open Meeting, there is an opportunity for the Commission to consider how to allow for more distributed energy resource (DER) utilization including photovoltaics, energy storage, electric vehicles, backup generators, demand response, and related technologies. There are nearly 3 GW of distributed generation resources in the ERCOT region with 740 MWs added in 2021 alone. While power markets have historically relied on generation resources to supply power and provide grid reliability, we are at a turning point where consumers should be empowered to actively participate in the market to reduce local congestion and improve grid resiliency. At the same time, we should be able to build a grid that allows these resources to support our resource adequacy and resiliency goals.

As small businesses, homeowners, and communities continue to assess their own risks and invest in systems that will contribute to their own reliability, my hope is that these resources will be valued for the services that they will provide to the grid while still equitably allocating the needed infrastructure costs.

Understandably, this will require system-wide investments and market changes and we must establish a clear road map to get there. I would like to request that interested market participants provide responses for the following topics:

1. **Distribution planning and control:** What is a reasonable level of planning and control that will contribute to greater DER participation and greater resilience? What level of remote, granular controllability is possible? Presently, how are existing DERs utilized on distribution networks?
2. **Transmission and distribution modification:** What equipment, processes, and standards need to be implemented to allow for further DER participation?
3. **Cost quantification:** How much transmission and distribution investment will be necessary and what methods would be available to recuperate costs? And should we consider new methods of cost allocation and recovery for DER-related infrastructure enhancements?

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4. **Data accessibility:** What data would improve supply side dynamics and encourage targeted development? What information would be useful to establish a current baseline and assess future market potential? What accessibility and information security concerns should be considered?

Additionally:

5. What classes of DERs ought to be considered? Should these classes be determined on size and performance characteristics?
6. What should be done to encourage consistency in interconnection agreements between the various interconnecting entities?
7. What can we do to promote consistency in our DER policy between the ERCOT and non-ERCOT markets?
8. What successes have been seen in other states that could be implemented in Texas?
9. What can reasonably and economically be done within a 5-year timeframe?

I would ask the Commission to open a new project to file these questions and collect responses by June 15, 2022, in anticipation of a formal rulemaking process. I would ask market participants to limit their responses to 10 pages and please provide a one-page executive summary.

I look forward to discussing this matter with you at the upcoming open meeting.