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August 16, 2021

Public Utility Commission of Texas
Central Records
1701 N. Congress Ave.
PO Box 13326
Austin, TX 78711-3326

RE: E-filing mistake in Project 52373

Dear Central Records,

I made an inadvertent error when filing comments in Project 52373; I used the wrong version of the file (unsigned). The only change made was to refile the signed version of the comments.

Regards,

A handwritten signature in black ink, appearing to be "Jason Cox", written over a circular stamp or seal.

Jason Cox
Director, Regulatory Affairs

PROJECT NO. 52373

**REVIEW OF WHOLESALE
ELECTRIC MARKET DESIGN**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

COMMENTS OF EDF Trading North America, LLC

EDF Trading North America, LLC (EDF) appreciates the opportunity to provide these responses to the PUCT's market redesign questions filed on August 2, 2021. EDF files these responses to promote a more reliable grid, as well as increase the liquidity and transparency of the energy market.

Executive Summary

The impacts of Winter Storm URI were the culmination of market and regulatory forces; the grid was unprepared for such an extreme winter weather event. The system breakdown was felt throughout the entire energy infrastructure. Thermal generation was forced offline, renewable resources underperformed expectations, battery assets failed their hedges, gas infrastructure was unreliable, and transmission outages were unbalanced. All aspects of the energy market were accountable for the failures of the electricity grid during the winter storm. ERCOT's own seasonal assessment of the potential winter demand was significantly lower than what was experienced.

The historical reserve margin calculation breaks down as penetration of intermittent resources increases, as seen in California. The seasonal and intermittent nature of renewables and their interaction with system demand requires a new approach in assessing system reliability. Instead of working towards a fixed reserve margin target, the market needs to better understand the probability of having an EEA event under different weather scenarios and supply stack compositions. One key component in establishing reliability metrics is to more accurately define capacity contributions for intermittent resources in the planning model. Scarcity does not simply occur due to high load demands, even at new system peaks for summer or winter. Scarcity

naturally occurs when actual wind output is low and the system demand is high, as in the summer and winter months. However, during the shoulder months, scarcity will occur when actual wind output is significantly lower than expected output and thermal generation outages (both planned and forced) are high, regardless of the system load demand. Last but not least, ERCOT's planning standards should be updated to include a more robust modeling effort that captures the potential impacts of severe weather, whether summer or winter. The fact that ERCOT's load forecast (absent load shedding) would have eclipsed any summer peak day so far is troubling.

Additionally, it would be beneficial to implement a demand response program that allows for loads to be part of the power price formation. Under the current market design 4CP is a tool used by load to manage their regulated transmission costs but dramatically impacts the deregulated power price formation. As the loads deploy 4CP, the power prices retreat because the system has less demand. This is a regulated cost impacting deregulated power prices. The demand elasticity of 4CP curtailment needs to be accounted as part of a demand response program.

Comments

- 1. What specific changes, if any, should be made to the Operating Reserve Demand Curve (ORDC) to drive investment in existing and new dispatchable generation? Please consider ORDC applying only to generators who commit in the day-ahead market (DAM). Should that amount of ORDC - based dispatchability be adjusted to specific seasonal reliability needs?**

The current ORDC methodology should be modified to provide more revenue certainty for current and proposed generation resources and while remaining technology agnostic. This can be achieved by increasing the area under the LOLP curve to better account for the reliability impacts associated with the large increase in intermittent resources. Also, increasing "X" would allow the forward markets to better account for new firm generation requirements caused by strong load

growth, retirement of older fossil fuel generators, and increased penetration of intermittent resources.

In order to mitigate the costs from the changes above, the peaker net margin mechanism should be modified to limit the potential impact caused by sustained scarcity pricing. The peaker net margin should limit the exposure per scarcity event and be reset either by season or through a rolling calculation methodology.

2. **Should ERCOT require all generation resources to offer a minimum commitment in the day-ahead market as a precondition for participating in the energy market? a. If so, how should that minimum commitment be determined? b. How should that commitment be enforced?**

EDF does not support requiring generation resources to offer a minimum commitment in the DAM. There are many potential unintended consequences that could arise from implementing such a requirement.

3. **What new ancillary service products or reliability services or changes to existing ancillary service products or reliability services should be developed or made to ensure reliability under a variety of extreme conditions? Please articulate specific standards of reliability along with any suggested AS products. How should the costs of these new ancillary services be allocated.**

To the extent that any proposed changes to the ancillary services market do not further promote a vibrant forward market, opportunities for new generation to take advantage of these changes would be minimal given the reliance of generators on forward hedging.

4. **Is available residential demand response adequately captured by existing retail electric provider (REP) programs? Do opportunities exist for enhanced residential load response?**

EDF does not have an opinion on this matter.

5. How can ERCOT's emergency response service program be modified to provide additional reliability benefits? What changes would need to be made to Commission rules and ERCOT market rules and systems to implement these program changes?

In order to promote the reliability of the electrical grid and to promote ERCOT's situational awareness, participants in the emergency response service program should deploy only when directed to do so by ERCOT and not based on economics.

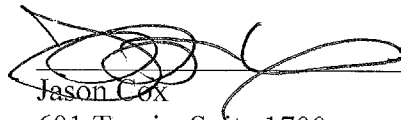
6. How can the current market design be altered (e.g., by implementing new products) to provide tools to improve the ability to manage inertia, voltage support, or frequency?

EDF believes that generators should be fairly compensated for the reliability services they provide.

Conclusion

EDF appreciates the opportunity to provide these Comments and looks forward to working with the Commission and other interested parties on these issues.

Respectfully submitted,



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