Filing Receipt

Received - 2021-08-17 01:25:17 PM
Control Number - 52373
ItemNumber - 67

PROJECT NO. 52373

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

PROJECT NO. 52268

CALENDAR YEAR 2021 – WORKSHOP AGENDA ITEMS WITHOUT AN ASSOCIATED CONTROL NUMBER	§ § §	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

COMMENTS OF ENCHANTED ROCK LLC RE: PUCT STAFF AUGUST 3, 2021 MEMORANDUM

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

Enchanted Rock LLC ("Enchanted Rock") appreciates the opportunity to provide these comments in response to the Public Utility Commission of Texas ("Commission") staff's memorandum posing questions for comment on August 3, 2021.

I. INTRODUCTION

Enchanted Rock is a Houston-based microgrid developer, owner, and operator with over 200 dual-purpose microgrids throughout Texas. Microgrids are local energy assets that can provide electricity to a specific customer load, operating in both islanded and grid-connected modes. Enchanted Rock's dual-purpose, natural gas microgrids not only provide long-duration backup power to customers during grid outages, but also run to provide necessary energy back to the grid when our customers are on grid power.

During the recent extreme weather event, Enchanted Rock's fleet of microgrids was extremely reliable operating almost continuously over the 8-day period. When 143 of our

customers would have experienced grid outages, our microgrids stepped in to maintain electric service, covering approximately 5,000 hours. These included large grocery store chains, water facilities, senior living homes, university campuses, and other critical facilities that stayed open to provide food, prescription medications, and gas. Otherwise, our microgrids provided support to the ERCOT grid.

Pipeline gas supply, because it runs underground, was not subject to the same delivery challenges as diesel fuel during the inclement weather conditions. Where gas supply was constrained and pressures dropped, our units stayed running due to our firm gas contracts and our ability to run on much lower gas pressures compared to larger gas combined cycle or combustion turbine units.

II. EXECUTIVE SUMMARY

Given the proven reliability and resilience value of microgrids and their essential role in the electric market, we provide the following select responses to the PUCT Staff's questions. Our major points may be summarized as follows:

- Investment in needed dispatchable generation resources is best incentivized through robust energy and ancillary services markets.
- By providing full access to the markets, the Commission can maximize the value of distributed generation in support of adequate grid supply and greater resilience for critical services.

We believe these answers can assist the Commission in its review of the wholesale market design to better support and facilitate a resilient grid for Texans.

III. SELECT 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?

Changes to the ORDC, such as setting higher prices in anticipation of a more severe reserve shortage event, can help support greater reliability. Additionally, robust real-time market

pricing will spur on additional investment in dispatchable generation. However, market pricing changes will only fully realize their value for the resilience of the Texas grid if they are accessible to all dispatchable resource types, including distributed generation resources.

This is important as Settlement Only Distribution Generators (SODG) are not in the Security Constrained Economic Dispatch (SCED) and cannot participate in the day-ahead market as a Generation Resource (GR). This differentiation doesn't make their response any less valuable. As such, Enchanted Rock would oppose application of the ORDC only to generators committed in the day-ahead market. Real-time price signals will allow the broadest set of resources, including dispatchable generation, distributed resources, and demand response, to provide the desired performance.

ERCOT plans to lift a moratorium on Distributed Generation Resources (DGR) on January 4, 2022 under stringent participation rules, but more can be done to provide reasonable, efficient interconnection and market participation for rapid deployment of additional DGRs.

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?

A must-offer obligation in the day-ahead market goes hand in hand with the kind of capacity market construct used in various ISO/RTO markets around the country. Capacity markets are very administratively burdensome and riddled with policy landmines when it comes to creating efficient pricing incentives. As a result, neighboring ISO/RTO markets are considering energy and ancillary services reforms that will shift market revenues away from the capacity markets so that there is less reliance on the construct for meeting reliability requirements. Robust Ancillary Services will more efficiently attract needed investment and desired dispatchable resource performance than a capacity market program.

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?

Products should be procured based on volumetric targets to meet various system needs with respect to firm, dispatchable resources for load forecast variability, ramping capability to meet net load, etc. The full integration of DGR participation in the market will have a tremendous effect on grid reliability and resiliency.

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?

ERS resources have been a valuable part of the resilience strategy for ERCOT during emergency events. It is critical to ensure that the program incentivizes investment in distributed generation to support business continuity during energy emergencies and to free up energy for other customers. Critical load designations and rotating outages alone will not solve any issues. One potential solution may be to allow Critical loads to be restricted from ERS, unless they invest in installing backup generation.

Additionally, the ERS program budget cap of $50 Million has not increased since the inception of the program and has not accounted for the considerable growth in the market. This Commission should consider increasing or lifting this cap. As extreme weather events increase in frequency, Texas should be preparing resources to fully participate to support the grid throughout the year.

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?

Metering and interconnection requirements for distributed generation should be reviewed to help streamline and standardize processes across utilities. There have been artificial barriers erected by entities managing interconnections due to unreasonably conservative approaches to transfer trip requirements or metering arrangements to access the wholesale market.

Neighboring regions, in response to FERC Order 2222, have been working towards additional market participation by distributed energy resources. This includes rules to allow nodal aggregation of DERs for market participation.

Thank you for your consideration. Enchanted Rock would be glad to participate in the August 26 and/or September 2 work sessions to continue this important discussion with the Commission.

Best Regards,

By: /s/ *Corey Amthor*

Corey Amthor
President, Enchanted Rock LLC
1113 Vine St, Suite 101
Houston, TX 77002
camthor@enchantedrock.com