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PROJECT NO. 53191

REORGANIZATION OF §25.505

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**TEXAS PUBLIC POWER ASSOCIATION'S RESPONSE
TO THE PROPOSAL FOR PUBLICATION**

The Texas Public Power Association (TPPA) appreciates the opportunity to respond to the proposal for publication (PFP) by the Public Utility Commission of Texas (Commission) regarding its rulemaking to split the current 16 TAC § 25.505 into three separate rules. These comments are submitted on behalf of TPPA and do not necessarily reflect the opinions of any individual TPPA member.

Formed in 1978, TPPA is the statewide association for the 72 municipally-owned utilities (MOUs) in Texas. TPPA membership also includes several electric cooperatives and joint actions agencies, as well as the Lower Colorado River Authority. TPPA members serve urban, suburban, and rural Texas and vary in size from large, vertically-integrated utilities to relatively small distribution-only systems. We are proud to serve approximately 5.1 million Texans across the state. Most of our members operate within the Electric Reliability Council of Texas (ERCOT) region,¹ though several are located within either the Southwest Power Pool (SPP) or Midcontinent Independent System Operator (MISO) region. MOUs offer a long track record of stability, and we serve an essential role in providing secure and reliable power to the wholesale electricity markets in these regions, including ERCOT. Many of our member systems have been providing stable and reliable electric power to communities in Texas for over 100 years, and collectively, our members provide more than 13,800 MW of generation and maintain nearly 8,500 miles of high-voltage transmission assets.

On February 25, 2022, the Commission filed the PFP in the Texas Register, seeking comments by March 18, 2022. These comments are timely filed.

¹ 70% of Lubbock Power and Light's customers were moved to the ERCOT region on May 29 and 30, 2021. The remainder will be transitioned from SPP in 2023.

I. Comments on PFP

TPPA appreciates the Commission's work on the PFP and recognizes the importance of these rules to set the stage for the Commission's ongoing market design work. TPPA also respects Commission Staff's subsequent memo² requesting that comments refrain from making substantive policy suggestions, with the understanding that a forum for these suggestions is forthcoming. To that end, TPPA suggests the Commission make the following clarifications and modifications to the proposed rule.

Proposed 25.505

Proposed 25.505(b) provides a new definition for "generation resource," embedded within the existing definition for "generation entity," structurally matching the embedded definition for "load resource" within the existing definition for "load entity." TPPA recommends modifying this subsection to define the terms "generation resource"³ in subsection (b)(1) and the term "load resource" in subsection (b)(2) separately, to improve clarity in the rule that these are defined terms.

Proposed 25.505(c) and (d) require ERCOT to publish a five-year forward resource adequacy report and a daily assessment of system reliability. While ERCOT's existing practice is to publish these reports on its public-facing website, TPPA believes that the rule should explicitly require ERCOT to publish these reports both publicly and in an easily accessible manner, to align with the Commission's and ERCOT's commitment to increased public transparency.

Proposed 25.505(f) requires ERCOT to use a stakeholder process "in consultation with commission staff" to develop and implement rules that comply with this section. TPPA supports the proposal to require consultation with Commission Staff, but believes that the rule should clarify the timeline and process by which that consultation will occur. TPPA suggests that the Commission modify this subsection to require that, before developing a revision request to be implemented under this rule, ERCOT will consult with Commission Staff.

² *Reorganization of §25.505*, Project No. 53191, Project Scope Clarification Memo (Mar. 7, 2022).

³ TPPA also notes that the definition for generation resource appears to be a clipped version of the definition for the same term as used in 16 TAC § 25.55(b), relating to Weather Emergency Preparedness. TPPA takes no position on whether this definition should be revised to include the full language used in the Commission's weather preparedness rule.

TPPA suggests the following language, redlined from the rule's current language.

(f) Development and implementation. ERCOT must use a stakeholder process to develop and implement rules that comply with this section. ERCOT must consult with commission staff before developing such rules. Nothing in this section prevents the commission from taking actions necessary to protect the public interest, including actions that are otherwise inconsistent with the other provisions in this section.

This change will provide clarity as to which step in the market rule change process that Commission Staff will be involved and better ensure that ERCOT's work aligns with the Commission's broad objectives. TPPA makes the same recommendation for proposed **25.506(c)** and **25.509(d)** below.

Proposed 25.506

Proposed 25.506(c) requires ERCOT to use a stakeholder process "in consultation with commission staff" to develop and implement rules that comply with this section. TPPA recommends the same language change for this subsection as proposed 25.505(f) above.

Proposed 25.509

Proposed 25.509 deletes the requirement, currently found in the Commission's existing 16 TAC § 25.505(g)(6)(E), that the Value of Lost Load (VOLL) be set to the value of the system-wide offer cap (SWOC). TPPA understands that this is part of an effort to decouple VOLL from the SWOC and a future rulemaking will address the appropriate VOLL value. Nonetheless, TPPA believes that the VOLL should be clearly posted and available to market participants and the public.

If the commission codifies VOLL in its rule, it will improve regulatory certainty and clarity to the market and investors. Simply removing the reference to VOLL equaling the SWOC creates uncertainty about what the VOLL is and what it will be going forward. As an interim step before the Commission opens a project to consider substantive comments and analysis on the proper VOLL value, TPPA recommends that the Commission reinstate a modified version of subsection (g)(6)(E) that explicitly sets the VOLL at \$5,000 per MWh. This change would accomplish the Commission's immediate goal of decoupling VOLL from SWOC while otherwise maintaining the status quo.

Proposed 25.509(c)(8) would create a new ERCOT reporting requirement for a biannual report on the efficacy, utilization, related costs, and contribution of the Operating Reserve Demand Curve to grid reliability. TPPA supports the creation of this new report, as cost benefit analyses are critical to understanding how the Commission's market design reforms are functioning. However, consistent with TPPA's above comments on **proposed 25.505(c) and (d)**, TPPA suggests that the rule be modified to require ERCOT to publish its report publicly so that it may be easily accessed.

Proposed 25.509(d) requires ERCOT to use a stakeholder process "in consultation with commission staff" to develop and implement rules that comply with this section. TPPA recommends the same language change for this subsection as proposed 25.505(f) above.

II. Conclusion

TPPA appreciates the opportunity to submit these comments. TPPA looks forward to working with the Commission, its staff, and the stakeholders on this important rulemaking and this broader discussion in the coming months.

Dated: March 18, 2022

Respectfully,



Taylor Kilroy
Regulatory Counsel
Texas Public Power Association
PO Box 82768
Austin, Texas 78708
(512) 472-5965
www.tppa.com

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**EXECUTIVE SUMMARY OF TPPA'S RESPONSE
TO THE PROPOSAL FOR PUBLICATION**

TPPA appreciates the Commission's work on the PFP and, consistent with Commission Staff's request, these comments refrain from making substantive policy suggestions with the understanding that a forum for these suggestions is forthcoming. TPPA makes recommendations for several modifications and clarifications below:

Proposed 25.505:

- The Commission should separate out the definitions for "generation resource" and "load resource" from the existing definitions for "generation entity" and "load entity," rather than embedding definitions within others.
- Consistent with ERCOT's existing practice, the Commission should explicitly require that ERCOT's yearly five-year forward resource adequacy report and daily system adequacy reports be published publicly and in an easily accessible fashion in alignment with the Commission's and ERCOT's commitment to public transparency.

Proposed 25.509:

- The Commission should set the Value of Lost Load at \$5,000 per MWh on an interim basis and conduct a further analysis of what the VOLL ought to be in the near future.
- As with the above recommendation, the Commission should explicitly require that ERCOT's biannual report on the Operating Reserve Demand Curve be published publicly and in an easily accessible fashion.

Proposed 25.505, 25.506, and 25.509:

- The Commission should better clarify at what stage ERCOT should consult Commission Staff when it proposes revision requests and other market rules that relate to these Commission rules.