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AGGREGATE DISTRIBUTED ENERGY	§	PUBLIC UTILITY COMMISSION
RESOURCE (ADER) ERCOT PILOT	§	
PROJECT	§	OF TEXAS

**COMMENTS OF VOLTUS, INC., REGARDING
AGGREGATOR PARTICIPATION IN ADER PILOT PROJECT**

I. INTRODUCTION

Voltus, Inc., (Voltus) is an aggregator of retail customers (ARC) and curtailment service provider (CSP) operating in all nine North American wholesale markets. Voltus has participated in ERCOT since 2018 and in 2023 provided more than 400 MW in capacity to the Texas grid. Voltus is an active observer of the Aggregate Distributed Energy Resource (ADER) Task Force and stands ready to participate in the ADER Pilot Program to provide critical grid services to the Electric Reliability Council of Texas (ERCOT) to the benefit of Texas consumers.

II. BACKGROUND

On August 14, 2024, Commissioner Glotfelty published a memorandum discussing the ADER Pilot Program. The Commissioner requested that the ADER Task Force explore whether consumers should be able to select a Virtual Power Plant (VPP) provider other than their retail electric provider (REP). The Commissioner also requested the Task Force provide a roadmap to reach 80 MW of ADER participation in ERCOT. Additionally, the next phase of the ADER Pilot is expected to include a framework to allow for the participation of aggregated non-controllable load resources (A-NCLR). As it stands, unaggregated NCLRs participating in ERCOT's ancillary services (AS) programs can participate through a non-REP qualified scheduling entity (QSE). On November 18, 2024, several REPs (collectively, the REP Group) jointly filed

comments arguing against the allowance of third-party non-REPs as ADER program participants. These comments respond to both Commissioner Glotfelty's original request and to the REP Group's responsive memorandum. Voltus respectfully requests that the Public Utility Commission of Texas (PUCT) support consumer choice and market efficiency by declining to exclude non-REPs from ADER Pilot Program participation generally, and the A-NCLR framework in particular.

III. EXCLUSION OF NON-REP PARTICIPATION WOULD CREATE IRRATIONAL MARKET INCONSISTENCIES

Non-controllable Load Resources (NCLRs) may already participate in ERCOT AS markets directly or through third parties and are not required to participate through their REP. Given that such non-REP-mediated participation has been proven effective for a variety of ERCOT market products, it would be unreasonable for the PUCT to limit ADER participation to exclude non-REPs with relevant market expertise. Customers who already participate in such programs as ERCOT's AS market as NCLRs through a third-party Curtailment Service Provider (CSP) should be provisioned the opportunity to expand their participation into the ADER pilot via their current CSP. Contrary to the REP Group's assertion that "[non-REP] business models are not optimal from a customer or market efficiency perspective or from a reliability perspective under the ERCOT market construct", the ERCOT market structure already functions efficiently and reliably with the inclusion of non-REP ancillary services, ERCOT affirmatively allows non-REP participation, and customers affirmatively choose to offer grid services through non-REP Aggregators of Retail Customers (ARCs)/CSPs, presumably because the economic benefits and customer experience warrant this choice.

The REP Group has not explained why the ADER Pilot Program should exclude non-REPs given that such market participants are effective at providing a host of ERCOT market

products today. The PUCT should favor consistency of market rules and consumer choice with its attendant efficiency benefits by allowing non-REPs to support customer participation in the ADER Pilot Program.

Within the context of the pilot, additional restrictions that would exceed current nodal protocol restrictions (current protocols allow non-REPs to provide AS as NCLRs) are unwarranted, and will not improve pilot outcomes. Rather, such restrictions would function to decrease the amount of available capacity ready to participate in this pilot, directly counteracting Commissioner Glotfelty's third request of the August 14, 2024 memo of creating a roadmap to allow 80 MW of ADER participation. The pilot in its current form has struggled to grow in size, partially due to restrictions in participation rules. Creating unnecessary restrictions in the upcoming phase will result in a smaller program than otherwise possible.

IV. CUSTOMER CHOICE LEADS TO BETTER CUSTOMER EXPERIENCE AND EFFICIENT MARKET OUTCOMES

The REP Group's assertion that "a third party in pursuit of its own market objectives . . . will almost certainly result in a negative customer experience" is baseless and contrary to common sense and free market principles. As competitive businesses, third party ARCs/CSPs live and die on their ability to provide a service valued by customers. Additionally, if the REP can provide a better service than non-REP third parties, the customer can choose to switch providers and return to the REP if they truly provide a superior service.

Limiting customer choices to only their REP provider excludes a large number of potential providers from providing services to customers. If a customer is only allowed to participate through a REP, it removes their ability to choose a provider that would be able to provide them with the best service on the most competitive terms. Instead, if customers would

like to switch to a different ADER provider, they would also be required to change their REP, which increases switching effort and costs.

V. CONTRARY TO THE REP GROUP'S ASSERTIONS, THIRD-PARTY PARTICIPATION DOES NOT IMPOSE COSTS ON REPS OR CONSUMERS

The REP Group's core argument appears to be that third-party participation harms the REP's ability to "manage wholesale risk on behalf of the customer", which Voltus takes to mean, essentially, hedging its market portfolio to insulate consumers against unduly high energy costs. The REP Group seems to suggest that because third-party actions may not be perfectly visible to REPs in real time, market risk to the REP increases.

This argument does not bear scrutiny. It is worth noting that a non-REP would only enroll a customer in AS as an NCLR if they expect the customer's load to be available (i.e. consuming electricity) during the hours they offer AS, in order to be able to meet AS obligations. Compared to the counterfactual of no third-party participation, non-REP activity thereby creates the possibility of *more* curtailment (i.e. dispatches in the AS program) during high-priced windows, leading to lower costs for the REP and its consumers overall. If third-party participation results in wholesale obligations that are lower than the REP anticipated, this "risk" of lower obligations and associated lower prices is not one that the PUCT should guard against. If third-party participation introduces the possibility of increased costs compared to the base case of no third-party participation, the REP Group has not explained the mechanism.¹

Critically, neither Voltus nor any other third-party has suggested here or elsewhere that third parties should be market participants *to the exclusion* of REPs. Because consumers may freely choose among REP and third-party programs, including by stacking if REPs so allow,

¹ Notably, REPs already manage the uncertainty of third-party participation. NCLRs at present may only participate in ancillary services, meaning any NCLR dispatch is not well-predictable to the REP ahead of time to allow for the adjustment of a hedging strategy. NCLRs effectively manage this risk.

third-party participation is only additive; it unlocks participation not otherwise achieved through REPs by means of distinct participation offerings, higher incentives, or other competitive advantages. The REP Group acts as if third-party CSPs provide *no value* to customers. But REPs do not hold a monopoly on the ability to “create and share VPP value with customers”, and customers should have the opportunity to choose the value stream with the greatest benefit. To the extent that non-REP participation has “negative implications for REPs' ability to create and share VPP value with customers”, it does so by replacing and increasing the value realized by prosumers who, by free choice in an open market, choose third-party partnerships instead of, or in addition to, REP offerings.

VI. THE REP GROUP'S ARGUMENTS MIRROR UTILITY EFFORTS TO SECURE STATE OPT-OUTS TO AGGREGATOR PARTICIPATION IN OTHER JURISDICTIONS

Disallowing third-party providers also bucks the trend observed in ERCOT's neighbor to its North, MISO. In the last 2 years, three states contained within the MISO territory - Michigan, Missouri, and Wisconsin - have removed restrictions barring the participation of third-party providers. Retail customers in these states retain their ability to enroll in DR programs through their providers, but many have since chosen to enroll through aggregators. Additionally, MISO rules avoid the risk of multiple Market Participants controlling a single device by limiting each utility account to being registered with only a single Market Participant in any given time period. All market registrations are subject to approval by the underlying customers' providers, and the providers are able to take any necessary action for their own planning purposes based on this information.

VII. LIMITING ADER PARTICIPATION TO REPS WOULD ARBITRARILY AND UNFAIRLY EXCLUDE CUSTOMERS WHOSE REP DOES NOT PARTICIPATE IN ADER

Quite simply, there is no requirement for a REP to participate in the ADER pilot. This may be reasonable, but absent third-party participation, it results in a lack of accessibility to the aggregated participation option for customers whose REP chooses not to participate in the ADER Pilot Program. Allowing third-party participation will necessarily widen the pool of sites enrolling in the pilot, thus increasing the program's size and immediate value as well as the informational value of the pilot phase with the hope of reaching 80 MW of participation as outlined by Commissioner Glotfelty.

VIII. CONCLUSION

For the foregoing reasons, the ADER Task Force and PUCT should move forward with an ADER program design that does not discriminate against third-party providers. Third parties necessarily provide additive value to customers and the grid. Texas' market-based approach to grid planning favors inclusion of non-REPs and the continued encouragement of the full range of third-party energy solutions for demand response, distributed energy resource aggregations, and other advanced energy solutions.