



## **Filing Receipt**

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# SENATOR MAYES MIDDLETON

DISTRICT 11

February 12, 2024

Chairman Thomas Gleeson  
Commissioner Kathleen Jackson  
Commissioner Lori Cobos  
Commissioner Jimmy Glotfelty

Public Utility Commission of Texas  
1701 North Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

Dear Commissioners:

As a legislator with a deep interest in the ongoing operational changes and additional market reforms put forward in this past legislative session, I am writing to ask for more clarity and data around ERCOT's operations during the winter storm from January 14 to January 17, 2024.

I understand the need to maintain greater operational flexibility in the face of uncertain demand curves and the increasing uncertainty in wind and solar output as our reliance on those intermittent resources grows. However, the cost of these measures and their effect on market signals is unknown, and no cost analysis of ERCOT's conservative operations has been undertaken to date.

This past session the Legislature passed House Bill 1500, a critical piece of legislation aimed at providing resiliency and transparency to the ERCOT region and ensuring enough dispatchable generation to meet growing demand. PURA Section 39.1591(1)(A) (HB 1500 Sec. 23) requires the Public Utility Commission to estimate the "annual costs incurred by load-serving entities under this subchapter associated with backing up dispatchable and non-dispatchable electric generation facilities to guarantee that a firm amount of electric energy will be available to the ERCOT power grid" by December 1 of each year. This information is essential in developing the other directives provided under HB 1500 (e.g., firming [new Section 39.1592] and cost allocation [new Section 39.1593]) and determining how to design those programs to provide the best outcomes for Texas ratepayers. The report from December 1, 2023 did not provide all of the required information and should be prioritized so that we may better understand our firm energy supply and associated costs. I look forward to the PUC's development of a method to determine these costs as indicated in the report. Firming is one of the best tools to ensure power when we need it.

Regarding the January event, it appeared that the ERCOT region consistently maintained operational reserves well above the levels ERCOT typically requires to initiate conservation and emergency measures. Despite this, ERCOT COO Woody Rickerson indicated in his testimony before the Public Utility Commission that demand response measures were employed. Due to over-forecasted demand during the storm, I suspect other emergency measures were employed as part of the operational response from ERCOT. While these services are useful tools in maintaining reliability during emergencies, deploying these measures must be necessary and transparent. I would like to better understand the exact nature and cost of ERCOT's operational response.


While appropriate for true emergencies, it seems that ERCOT is using these measures more frequently to manage uncertainty in demand and wind and solar output. These actions carry a heavy cost, and our constituents, as ratepayers subject to these pass-through costs, have a right to know what these costs are. As such, I would like to request answers to the following questions:

- How much of the demand response was voluntary, and how much was deployed at ERCOT's request? Of the quantity deployed by ERCOT, what was the duration and cost of that deployment?
- Did ERCOT utilize reliability unit commitments (RUCs) prior to or during the storm, and if so, what was the quantity, duration, and cost of those RUCs?
- Did ERCOT procure additional ancillary services before and during the storm beyond what it normally procures? If so, what was the cost of that additional procurement? Did ERCOT's increased procurement of ancillary services relative to Winter Storm Elliott in 2022 bring additional reliability? If so, can you explain how and what that incremental cost was?
- Can ERCOT explain further why it was forecasting load at 85 GW or higher, exceeding this summer's peak load, despite a consistent forecast for weather conditions that were similar to Christmas 2022, when load only reached 74 GW, and forecasts from market participants that were consistently below 80 GW?
- What was the cost of ERCOT's deployment of firm fuel service resources?

ERCOT has made great strides in transparency since Uri, and a conservative approach to ensuring enough generation is available for the grid is certainly understandable. However, ERCOT should not continue to deploy emergency measures with unknown costs and market impacts during every summer heat wave and winter storm. I have been apprised that the cost of resource scarcity this summer exceeded \$3 billion and that ERCOT is ordering nearly \$1 billion in synchronous condensers to help manage frequency and inertia in West Texas. With more unreliable wind and solar flooding into the Texas market, these challenges will only increase, and Texans need to be informed of the true cost of managing these challenges.

These incurred costs are collateral damage caused by the overbuilding of federally subsidized wind and solar and the resulting lack of resource adequacy in ERCOT. These underlying problems must be fixed. Important steps have been taken to increase dispatchable generation and resource efficiency, such as the establishment of the Texas Energy Fund, Backup Power Package, and a generation interconnection allowance to reduce the burden of transmission construction that is passed on to ratepayers. We need market reforms in Texas to ensure resource adequacy, including requiring those variable wind and solar generators to start paying for some of these costs they are imposing, rather than simply foisting the extra costs onto ratepayers. Improving transparency and access to information about those costs is an essential first step toward fixing these problems.

Sincerely,



**Mayes Middleton**  
Texas State Senator  
*Senate District 11*

CC: Mr. Pablo Vegas, ERCOT  
Mr. Woody Rickerson, ERCOT