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PROJECT NO. 54335

REVIEW OF MARKET REFORM	§	BEFORE THE PUBLIC UTILITY
ASSESSMENT PRODUCED BY	§	COMMISSION OF TEXAS
ENERGY AND ENVIRONMENTAL	§	
ECONOMICS, INC. (E3)	§	

**RAYBURN COUNTRY ELECTRIC COOPERATIVE, INC.’S COMMENTS ON
QUESTIONS REGARDING PROJECT NO. 54335**

Rayburn Country Electric Cooperative, Inc. (“Rayburn”) appreciates the opportunity to submit comments on questions regarding Project No. 54335 - *Review of Market Reform Assessment Produced by Energy and Environmental Economics, Inc. (E3)*. Rayburn respectfully requests that the Public Utility Commission of Texas (“Commission”) consider these comments in evaluating the report produced by Energy and Environmental Economics, Inc. (“E3”) entitled *Assessment of Market Reform Options to Enhance Reliability* (“E3 Report”).

I. COMMENTS

Question 1: The E3 Report observes that the Performance Credit Mechanism (“PCM”) has no prior precedent for implementation, does this fact present a significant obstacle to its operation for the ERCOT market?

The fact that there is no precedent in ERCOT for implementing any of the capacity procurement models reviewed in the E3 Report, including the PCM, the Forward Reliability Mechanism, and the Load Serving Entity Obligation (collectively, “the Capacity Market Constructs”), presents significant challenges for the implementation and operation of the PCM in ERCOT. As discussed in the comments filed by the Coalition for Dispatchable Reliability Reserve

Service (“DRRS Coalition”)¹ in Commission Docket No. 52373 on December 14, 2022,² each of the proposed Capacity Market Constructs is extensive, administratively complicated, and costly.

Energy markets are enormously complex. Changing one aspect of a market design requires careful examination of the impacts of that change on other elements of the wholesale market to ensure that there are no unintended consequences. As the Commission weighs the complexities associated with implementing the Capacity Market Constructs, or some combination thereof, the Commission should evaluate whether integrating the Capacity Market Constructs into Texas’ wholesale electricity market will cause detrimental and cascading second-order market effects. The Commission should also ensure that market redesign initiatives do not impair elements of the existing wholesale market design that are functioning appropriately or cause the existing design to become counterproductive.

Question 2: Would the PCM design incentivize generation performance, retention, and market entry consistent with the Legislature’s and the commission’s goal to meet demand during times of net peak load and extreme power consumption conditions? Why or why not?

Rayburn is concerned that the PCM would not sufficiently incentivize generation performance, retention, and market entry to meet demand during periods of net peak load and extreme power consumption. The PCM does not effectively value and therefore incentivize new generation with flexible operational attributes to ensure reliability during extreme weather conditions and during times of low, non-dispatchable power production.

Question 5: Over what period should the hours of highest reliability risk be determined? A year, a season, a month, or some other interval? At what point in time should that determination be made?

¹ Rayburn is a member of the DRRS Coalition.

² *Review of Wholesale Electric Market Design*, Comments of the Coalition for Dispatchable Reliability Service, PUC Docket No. 52373 (filed Dec. 14, 2022).

Notwithstanding the reservations regarding the PCM described above, Rayburn contends that the reliability risk period should be based on a seasonal or monthly period rather than an annual interval. Using a seasonal/monthly period would allow the Commission to adjust the PCM in a shorter period of time to more accurately reflect system and market conditions.

Question 8: If the Commission adopts a market design with a multi-year implementation timeline, is there a need for a short-term “bridge” product or service, like the Backstop Reliability Service, to maintain system reliability equivalent to a 1-in-10 LOLE or another reliability standard? If so, what product or service should be considered?

Rayburn supports the Dispatchable Reliability Reserve Service (“DRRS”) proposed by the DRSS Coalition.³ The DRRS would serve as a transparent, technology-neutral, and cost-effective means for procuring sufficient ancillary and reliability services during periods of low non-dispatchable power production. The DRSS complies with the criteria set forth under Senate Bill 3 (“SB3”) and could obviate the need for short-term bridge products or services.

However, if the Commission determines additional short-term stopgap measures are necessary, the Commission should also consider adopting a modified Reliability-Must-Run (“RMR”) mechanism to serve as a bridge product or service while long-term market redesign initiatives are implemented. ERCOT’s existing RMR mechanism could be adjusting to provide a more precise and cost-effective means for facilitating the retirement of older thermal generation units without compromising system reliability or distorting marketing signals to attract new investments in generation.

A modified RMR mechanism would be economically advantageous because it could operate in tandem with the DRSS and only be used temporarily to smooth out generation

³ *Id.* at 2 (characterizing the DRSS as a “Day-Ahead Market procured 4-hour service, which is available within 2 hours after deployment”).

retirements slated to occur before sufficient market investments have been made in new and less costly generation units. A modified RMR construct would also provide flexibility in that it could be periodically adjusted to better align RMR commitments with the state of the wholesale electric market as new generation becomes operational.

Question 10: What is the impact of the PCM on consumer costs?

The DRSS Coalition estimates that the PCM could cost at least \$5.7 billion annually, which would increase wholesale energy costs by at least 35.6 percent.⁴ Based on that projection, average customer costs could increase \$14.5/MWh to \$21.63/MWh per month or \$175 to \$260/year.⁵ Rayburn urges the Commission to weigh the costs of the PCM against the actual system benefits such reforms would yield to ratepayers. As the Commission endeavors to improve the wholesale electricity market and bolster system reliability, it must also ensure that consumers are not burdened with excessive and sudden rate increases.

II. CONCLUSION

Rayburn appreciates the opportunity to provide comments to the Commission on the E3 Report and looks forward to further discussions with the Commission and all stakeholders.

Respectfully submitted,

/s/ David Naylor

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⁴ *Id.* at 3.

⁵ *Id.* at n.6.

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**EXECUTIVE SUMMARY OF RAYBURN COUNTRY ELECTRIC COOPERATIVE,
INC.'S COMMENTS ON QUESTIONS REGARDING PROJECT NO. 54335**

In considering the E3 Report and related wholesale market design issues, the Commission should:

- Ensure that market redesign initiatives do not cause unintended, disruptive, and costly consequences;
- View the DRSS as a transparent, technology-neutral, and cost-effective alternative to the PCM that would address the reliability needs identified in SB3;
- Evaluate reliability risk using a seasonal/monthly interval; and
- Examine all cost-effective measures to bolster reliability while maintaining rate stability and affordability for consumers.