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Public Comments in Case #54335 - REVIEW OF MARKET REFORM ASSESSMENT PRODUCED BY ENERGY AND ENVIRONMENTAL ECONOMICS, INC. (E3)

I am a retired homeowner on a fixed income and I appreciate the opportunity to file the following comments in the noted case established to address the E3 Report. The bulleted points below represent both my input as well as my Executive Summary.

- To use a sports analogy, followers of the PUCT and its actions are presented with a jump ball. E3, expert consultants in electric systems, have recommended the Forward Reliability Market (FRM), a prospective form of a capacity market. Yet at least one commissioner has begun vetting the Performance Credits Mechanism (PCM), a retrospective approach to capacity payments. Criticism of the PCM has focused on its novelty and fears of project delivery risk. Consumers are now paying a large sum of money imposed by WS Uri's outcomes, this consumer believes that a capacity market design that is working in another market should be forklifted, thus reducing risk for rate payers.
- The Energy-Only wholesale design theoretically depends on shortage conditions when the system is stressed in order to see unpredictable high prices as a predicate to seeing developers bringing new entry to the system. For resource owners those scarcity prices are like a snowstorm in real time ("You don't know how much you'll get or how long it will last."). Designing the system around low reliability excursions has proven to be a mistake and has not drawn new CTs needed for system growth. Encouraging enormous risk in order to deliver lower risk does not seem like a smart model for serving the public's interests.
- It is refreshing to see decision makers finally discussing methods that potentially deliver more dispatchable resources to the ERCOT Region. Winter Storm URI taught us many lessons. The storm was a true "black swan" event and showed us that no one can guarantee consumer service and reliability. We also know that additional reliability costs new money, no one is willing to provide reliability margins for free. Added reliability must be thought of as insurance and the level of insurance must be based on an established metric as a first step in redesign.
- WS Uri also taught us that a \$9K SWOC is a double-edged sword. It may encourage additional generation online and dispatchable loads offline, but when we reach a point where neither can respond anymore, \$9K prices are punishment – not incentive. Consumers cannot tolerate another ERCOT market implosion like the one in the wake of WS Uri.
- The proposed forms of a capacity market studied by E3 all seek to do two things, 1) deliver the "missing money" to developers of generation to encourage new build, and 2)

de-risk the supply side of the wholesale market. The proposal chosen cannot and should not be done in a vacuum. The retailers and their consumers who will shoulder the ~\$460M in new costs should also see less price risk. The SWOC, ORDC and all administrative pricing mechanisms must be thoroughly reexamined. The SWOC and ORDC certainly should be reduced since presumably they will not be leaned on so heavily to generate the “missing monies”. When making these changes protections must be in place to protect resources from gas price blowouts.

- The proposal chosen must allow all resource technologies to participate. Customers are agnostic to the source of power when their lights are off.
- The proposal chosen must feature a centralized clearing market so the Independent Market Monitor can ensure that participants are not exercising market power.
- The proposal chosen must be patterned after an existing capacity market with the parameters and rule sets approved outside of the often-polarized and slow stakeholder process. Perhaps the Board of Directors should form a special committee to move the concept to implementation. We must abandon the “Texas Way” approach in order to avoid software delivery risk. It’s smart to learn from the experience of other markets and time is of the essence if we want to begin sending stable and meaningful signals to developers of dispatchable resources - resources we need today.

R. Jones
Kemah, TX