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

COMMENTS OF OHMCONNECT ENERGY

OhmConnect Energy strongly supports the positions and concerns expressed by the Coalition for Dispatchable Reliability Reserve Service ("Coalition") in Project 52373. OhmConnect is a new breed of retail electric provider offering demand response as an integrated aspect of all its product offerings. The efforts of both the Commission and ERCOT to develop structural modifications to the market to provide long term reliability have been appropriate to date. That said, the proposals now seemingly favored by the Commission would mark a stark departure from the underlying principles that have made our wholesale and retail markets both a model to be imitated and a growth engine for the Texas economy.

Our parent, OhmConnect Inc., was founded on the premise that the markets need tools to help transition from a thermal generation environment to one largely powered by renewable energy. It was under this premise that OhmConnect Energy entered the Texas market as the first new REP to offer its customers the sophisticated but simple to use tools and economic incentives to reduce load in periods of high demand, bringing responsive load as a complement to responsive generation. As the filing from the Coalition points out, the excessive use of RUC this past summer served to severely dampen the normal price response a healthy market would send. This had the dual disadvantage of eliminating the economic viability of large-scale DR and discouraging parties from building new, responsive thermal generation.

There are few, if any, historical examples of invasive price or aggressive regulatory intervention that yielded the outcomes envisioned by their proponents. Since the market opening in 2002, ERCOT has proven a dynamic market that has responded to the constantly changing market conditions. The one glaring exception was the winter storm of 2021 but, it is hard to imagine the cost of insuring against the recurrence of an event of that magnitude and even harder to justify the burden on the consuming public. The concept advocated by the Coalition and the IMM offers a credible solution to conditions the market is ***likely*** to experience, and which can expand with the market over time. While it introduces new cost, it will be far lower than the PCM or LSE Obligation promise and, importantly, it is a cost that can be managed by REPs without posing a mortal threat to the competitive market.

The PCM includes an administrative pricing structure that, as noted by the Coalition in its filing, would distort market signals and lead to responses by market participants that could very well worsen rather than improve the outlook for long term reliability. Another classic example of administrative price intervention was the natural gas pricing tables created under the NGPA of 1978. Those forward prices led producers to heavily leverage their producing assets against the "certainty" of federally mandated prices. That behavior nearly crippled the oil and gas industry when that price certainty evaporated with the repeal of the NGPA in 1989. Enactment of either the PCM or the LSE Obligation or any variation on the capacity market constructs under consideration will deal an equally catastrophic blow to the competitive retail electric market and will do so in very short order.

Respectfully Submitted,

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