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## Comments on Reliability Market Redesign

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### EXECUTIVE SUMMARY

Gov Abbott directed the PUCT on July 7, 2021 to:

*Streamline incentives within the ERCOT market to foster development and maintenance of adequate and reliable sources of power, like natural gas, coal, and nuclear power.*

*Allocate reliability costs to generation sources that cannot guarantee their own availability, such as wind or solar power.*

The current proposal being considered by the Commission fails to address either directive.

The Commission's E3 study admitted (page 35):

*The 1980-2019 sample does not include the extreme cold weather event caused by Winter Storm Uri in 2021. **Further analysis would be needed to develop a representative long-term load sample that incorporates this type of extreme event at an appropriate probability and to develop a corresponding reliability standard. Such analysis is beyond the scope of this study. ....***

This admission is astounding. The Commission has been derelict in its duty to Texans.

Following the November 17th hearing, the Senate Business & Commerce Committee letter to the PUCT of Dec 1 stated:

#### Excerpts:

*...The Commission's recently released ... report does not include any evaluation of the ancillary or reliability service product directed by SB3.*

*...the proposals being considered by the Commission...will not guarantee new dispatchable generation in a timely and cost-effective manner...*

*...Any market proposal considered by the Commission should include clear performance standards, including strong penalties for non-performance.*

We are almost two years beyond the Winter Storm Uri event and Texas is still at risk for a similar event.

The elected representatives of Texas electricity consumers must regain control of the process to finish the job as directed by Governor Abbott, including codifying the directives in the statute governing the PUCT.

The provisions of SB3 must be revisited in the next session of the legislature to avoid any further obfuscation.

The Commission needs to follow the advice of Representative Jared Patterson:

“Energy producers have moved away from reliable fossil fuels and toward unreliable renewables because it’s nearly impossible to compete with taxpayer-funded subsidies tipping the scales so heavily,” writes **state Rep. Jared Patterson** for (TPPF) The Cannon Online. “The Texas Legislature must resist the siren song of renewable energy subsidies and shift its focus to affordable, reliable sources like natural gas, clean coal, and nuclear — the only generators we can count on to perform when we actually need them.”

Winter Storm URI demonstrated to everyone the unreliability of the ERCOT grid that had become overdependent on intermittent wind and solar. We have been the “frog in boiling water”.

The total intermittent generation on the grid dropped to 2% of nameplate capacity. The wind died as predicted as the cold front rolled in.

The ERCOT forecast is for even greater wind and solar penetration because of the recent extension of the taxpayer subsidies. The current ERCOT market has become an ATM for Big Wind and Big Solar. The Commission cannot continue to allow this market distortion.

The legislature acted to address some of the issues that were identified but the root cause, the unreliability of the weather dependent intermittents, was not addressed.

Recognizing this problem, Gov Abbott directed the PUCT on July 7, 2021 to:

Streamline incentives within the ERCOT market to foster development and maintenance of adequate and reliable sources of power, like natural gas, coal, and nuclear power.

Allocate reliability costs to generation sources that cannot guarantee their own availability, such as wind or solar power.

A key issue: adequate and reliable thermal dispatchable power including natural gas, coal, and nuclear. As the history of ERCOT has shown, there are no real incentives to build or maintain dispatchable power because of the insidious ability of the weather-dependent intermittents to use taxpayer subsidies to gain overwhelming market advantage. Texas consumers are paying the price thrice: once when we pay taxes to the Feds that are diverted to the subsidies for the unreliaables, again when local tax abatement subsidies are doled out, and finally when we pay through the Transmission & Distribution charge for the CREZ line.

Another key issue: the GENERATOR has to bear the costs of unreliability, not the consumers.

We are almost two years beyond the Winter Storm Uri event and Texas is still at risk for a similar event. Now we learn that you have failed us again by the study design:

The Commission's E3 study admitted (page 35):

*The 1980-2019 sample does not include the extreme cold weather event caused by Winter Storm Uri in 2021. **Further analysis would be needed to develop a representative long-term load sample that incorporates this type of extreme event at an appropriate probability and to develop a corresponding reliability standard. Such analysis is beyond the scope of this study.** In the future, it will be important for ERCOT to incorporate these events into its reliability studies and into any corresponding standard and resource accreditation methodology. Incorporating these events can be expected to affect both the magnitude and frequency of wintertime peak load events in the study sample as well as the accredited and actual performance of resources that are vulnerable to cold-weather related events such as interruptible fuel supply.*

This statement is an incredible admission of the major failure of the report. My question: how could the Commission fail to require the analysis of an event that DID HAPPEN. If not NOW, then WHEN?

The Commission has wasted 18 critical months.

Following the November 17, 2022 hearing, the Senate Business & Commerce Committee letter to the PUCT of Dec 1 stated:

Excerpts:

*...SB3 instructed the Commission (PUCT) to establish a reliability standard for the ERCOT market and to use this standard to develop and procure a new ancillary or reliability service designed to ensure enough dispatchable generation to meet this goal.*

*...The Commission's recently released ... report does not include any evaluation of the ancillary or reliability service product directed by SB3.*

*... the proposals being considered by the Commission... will not guarantee new dispatchable generation in a timely and cost-effective manner...*

*...Any market proposal considered by the Commission should include clear performance standards, including strong penalties for non-performance.*

This letter reiterates the message delivered by Gov Abbott: the focus of the PUCT has to be to guarantee new dispatchable generation in a timely and cost-effective manner. This means natural gas, coal and nuclear not more unreliable wind and solar.

The letter also addresses the key reliability issue: performance standards that include strong penalties for non-performance by the GENERATOR.

The ERCOT grid has become a national laughing stock...we have been Californicated: ERCOT is being used as an ATM for Big Wind and Big Solar.

The PUCT has been derelict in its primary responsibility to Texans.

The \$600,000 study commissioned is an abject failure.

The PUCT should demand OUR money back.

The elected representatives of Texas electricity consumers must regain control of the process to finish the job as directed by Governor Abbott, including codifying the directives in the statute governing the PUCT.

The provisions of SB3 must be revisited in the next session of the legislature to avoid any further obfuscation.

The unelected PUCT should be replaced with responsible individuals that can follow instructions and the law.

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