



## Filing Receipt

**Received - 2022-12-15 11:12:22 AM**  
**Control Number - 54335**  
**ItemNumber - 76**

**PROJECT NO. 54335**

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

**COMMENTS FROM ENEL NORTH AMERICA, INC.**

**OVERVIEW OF ENEL NORTH AMERICA**

Enel, which celebrates its 60<sup>th</sup> anniversary this year, is a multinational power company and a leading integrated player in the global power and renewables markets.

In Texas, Enel has developed and operates more than 3,500 MWs of wind, solar, and battery resources. Enel also manages more than 100 MWs of resources participating in Emergency Response Service.

At the global level, it is the largest renewable private player, the foremost network operator by number of end users and the biggest retail operator by customer base. The Group is the worldwide demand response leader and the largest European utility by ordinary EBITDA<sup>1</sup>.

Enel is present in 30 countries worldwide, producing energy with over 90 GW of total capacity.

Enel distributes electricity through a network of over 2.2 million kilometers to more than 75 million end users. The Group brings energy to around 70 million homes and businesses. Enel's renewables arm, Enel Green Power, has a total capacity of more than 54 GW and a generation mix that includes wind, solar, geothermal, and hydroelectric power, as well as energy storage facilities, installed in Europe, the Americas, Africa, Asia, and Oceania. Enel X Global Retail, Enel's global advanced energy

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<sup>1</sup> Enel's leadership in the different categories is defined by comparison with competitors' FY 2021 data. Publicly owned operators are not included.

services business line, has a total capacity of around 6.6 GW of demand response managed globally and has installed 59 MW of behind-the-meter storage capacity. In addition, Enel X Way is the Group's new global business line fully dedicated to electric mobility, managing nearly 350,000 public and private EV charging points worldwide, both directly and through interoperability agreements.

## **INTRODUCTION**

Enel appreciates the opportunity to provide feedback and comments on the staff questions relating to the market reform assessment prepared by E3. We devote the majority of our comments to feedback on the Dispatchable Energy Credit, ("DEC") but also support the additional information and feedback in the Advanced Power Alliance and American Clean Power Comments. We do not have separate answers for questions 1-10.

First and foremost, Enel believes that there are fundamental flaws with the E3 analysis that call into question the results from their analysis. Enel strongly believes that the top priority of the Commission, at the moment, should be defining the reliability problem or issue they are attempting to address with market design changes. Until there is a clear question the Commission is trying to solve for, there will continue to be a lack of consensus among various stakeholders on how we best design the grid of the future here in Texas.

## **COMMENTS ON PUCT QUESTIONS**

- 11. What is the fastest and most efficient manner to build a "bridge" product or service, such as the BRS, in order to start sending market signals for investment in new and dispatchable generation, while a multiple-year market design is implemented by ERCOT? Please provide specific steps.**

The fastest and most efficient way to improve reliability and send market signals for investment is to utilize and enhance existing products.

For example, Regulation Up (“Reg Up”) and Regulation Down (“Reg Down”) provide an essential service that allows ERCOT to maintain frequency by deploying resources that can respond in 4 seconds. ERCOT has started to note that regulation service is nearly being exhausted in certain hours. Increasing procurement would also send a signal to dispatchable generation to continue to invest in resources that provide this product.

Enel appreciates the PUCT’s past actions to enhance existing products, especially increasing the Emergency Response Service (ERS) budget. Enel encourages the PUCT to consider additional improvements, such as procuring a minimum amount of ERS, and creating opportunities for resources with longer lead times to participate in ERS. These are resources that are already in Texas and could be operated to support ERCOT reliability if they were given the correct incentives.

These solutions may not be all-encompassing. However, Enel recommends taking full advantage of all resources before investing in additional products.

**12. In what ways could the Dispatchable Energy Credit (DEC) design be modified through quantity and resource eligibility requirements, e.g. new technology such as small modular reactors, in such a way that it incentivizes new and dispatchable generation?**

As is laid out in the E3 Report, the design of the Dispatchable Energy Credit (“DEC”) does not accurately reflect the host of “dispatchable” resources that could be maximized in order to provide benefit to Texan consumers. As is currently designed, the DEC is focused on thermal resources and does not show significant cost savings, rather it appears to be a costly program to implement. The report lays out a generation duration requirement of 48 hours<sup>2</sup> in order to qualify as an eligible resource for the DEC which clearly favors thermal generation resources.

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<sup>2</sup> E3 Report, p. 113.

It is not clear why the E3 report's DEC diverged from the design in Commissioner McAdams' November 17, 2021 Memo, but whatever the reason may be, in order to analyze the true impact a DEC product may have on the market, it should be aligned with the design from the November memo. In this memo, Commissioner Adams laid out a product with eligibility requirements that included the ability to "ramp to full nameplate capacity within 5 minutes or less and have a net facility specification heat rate less than or equal to 8,000 Btu/kWh, or a battery that can discharge for at least 2 hours<sup>3</sup>. As designed in the E3 report, there is a minimum duration of 48 hours,<sup>4</sup> which would limit the variety of resources that would be eligible to participate. Importantly, these two DEC products are clearly designed to solve different operational and reliability challenges. In designing the grid of the future, it is important to consider fast-ramping resources that can be deployed in a time-efficient manner. These resources don't often need to provide support beyond a 2-hour ramping period, and so as E3 has designed a 48-hour product, this is not a cost-effective way to address reliability.

Demand response has proven its value to the Texas grid time and time again, and battery resources are being built and deployed at rapid rates. Both batteries and demand response stand to pose a critical role in operational flexibility and can provide significant cost savings to Texas consumers while increasing reliability and resiliency.

Not exclusive to the analysis of the DEC, but rather the discussion of market design issues as a whole, it is clear that the majority of the problems that are currently facing the Texas grid are operational challenges. The DEC option is uniquely capable of addressing these problems. DEC procures resources that solve real-time operational challenges and procures a minimum amount of these resources to ensure they will be available to the market in the long term.

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<sup>3</sup> Commissioner McAdams Memorandum, Project No . 52373 , Item No . 21 - Review of Wholesale Electric Market Design (November 17, 2021) available at [https://interchange.puc.texas.gov/Documents/52373\\_250\\_1168223.PDF](https://interchange.puc.texas.gov/Documents/52373_250_1168223.PDF).

<sup>4</sup> E3 Report, p. 113.

## CONCLUSION

Enel appreciates the opportunity to provide feedback to the Commission on the E3 report and questions on the next phase of market design efforts in Texas. Enel urges the Commission to remain technology-neutral in their adoption of any market changes in order to provide the most value and benefit to Texan consumers. In addition, Enel urges the Commission to continue to provide a multitude of opportunities for feedback, both for industry participants and the average Texan consumer. If the conclusion of the Commission is that there are market design changes needed in order to ensure adequate grid reliability and resiliency, then those changes should reflect the input of a variety of stakeholders.

Respectfully submitted,

A handwritten signature in cursive script that reads "Madeline Gould Laughlin".

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**EXECUTIVE SUMMARY**

- The reliability problem the Commission is solving for should be clearly defined.
- The Commission should enhance and/or expand existing products to ensure the market maximizes the reliability value of existing products.
- The Commission should refer to Commissioner McAdams' original memo on DEC to study DEC and the benefits it could provide the market.
- Batteries and demand response stand to pose a critical role in operational flexibility and can provide significant cost savings to Texas consumers while increasing reliability and resiliency.