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PUBLIC UTILITY COMMISSION OF TEXAS
PUBLIC NOTICE OF REQUEST FOR COMMENTS

PUC PROJECT NO. 54335

REVIEW OF MARKET REFORM ASSESSMENT PRODUCED BY ENERGY AND ENVIRONMENTAL ECONOMICS, INC. (E3)

In May 2022, the Public Utility Commission of Texas (commission) contracted Energy and Environmental Economics, Inc. (E3) for consulting services related to analysis, development, and implementation of market design and market structure changes in Electric Reliability Council of Texas (ERCOT) wholesale market. E3 performed a quantitative and qualitative review of a range of proposed market designs and produced the report titled Assessment of Market Reform Options to Enhance Reliability of the ERCOT System. The commission requests comments on questions regarding Project No. 54335, *Review of Market Reform Assessment Produced by Energy and Environmental Economics, Inc. (E3)*

Comments may be filed through the interchange on the commission's website or by submitting a paper copy to Central Records, Public Utility Commission of Texas, 1701 North Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 by **NOON on December 15, 2022**. All comments should reference Project No. 54335. Comments are limited to 25 pages. Each set of comments should include a standalone **executive summary** as the last page of the filing. This executive summary must be clearly labeled with the submitting entity's name and should list each substantive recommendation made in the comments.

1. The E3's 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?

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?

3. What is the appropriate reliability standard to achieve the goals stated in Question 2? Is 1-in-10 loss of load expectation (LOLE) a reasonable standard to set, or should another standard be used, such as expected unserved energy (EUE). If recommending a different standard, at what level should the standard be set (e.g., how many MWh of EUE per year)?

4. The E3 report examines 30 hours of highest reliability risk over a year. Is 30 the appropriate number of hours for this purpose? Should the reliability risk focus on a different measure?

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?

6. Would a voluntary forward market for generation offers and a mandatory residual settlement process for Load Serving Entity procurement provide additional generation revenue sufficient to incentivize resource availability in a way that improves reliability?

7. Does a centrally cleared market through ERCOT sufficiently mitigate the risk of market power abuse? Should additional tools be considered?

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 (BRS), to maintain system reliability equivalent to a 1-in-10 LOLE or another reliability standard? If so, what product or service should be considered?

9. If implementing a short-term design as a "bridge" delays the ultimate solution, should it be considered? Is there an alternative to a bridge solution that could be implemented immediately,

using existing products, such as a long-term commitment to buy the additional 5,630 MW of Ancillary services necessary to achieve the 1-in-10 LOLE reliability standard?

10. What is the impact of the PCM on consumer costs?

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 multi-year market design is implemented by ERCOT? Please provide specific steps.

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

Questions concerning this project should be referred to Ben Haguewood at Ben.Haguewood@puc.texas.gov. Deaf and hard of hearing individuals with text telephone (TTY) may contact the Commission through Relay Texas by dialing 7-1-1.

ISSUED ON BEHALF OF THE
PUBLIC UTILITY COMMISSION OF TEXAS
ON THE 15th DAY OF NOVEMBER 2022