



## Filing Receipt

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RELIABILITY STANDARD FOR  
THE ERCOT MARKET

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PUBLIC UTILITY COMMISSION  
OF TEXAS

**CONSTELLATION ENERGY GENERATION, LLC'S  
COMMENTS IN RESPONSE TO STAFF'S QUESTIONS**

Constellation Energy Generation, LLC (“Constellation”) is the largest producer of carbon-free energy in the country, owning more than 30 GW of total power generation, including generating resources within ERCOT. Constellation also provides wholesale electric supply to utilities, cooperatives and municipalities, and is a power marketer for its own resources as well as providing services on behalf of other entities in ERCOT and in every organized competitive wholesale electric market in the country. Additionally, through its subsidiary, Constellation NewEnergy, Inc., Constellation provides retail electric service to end-use customers in every retail access jurisdiction throughout the U.S.

Constellation has long been an advocate of establishing a mandatory reliability standard in ERCOT, has been an ardent supporter of the development and articulation of a reliability standard, and strongly supports the Commission’s efforts to adopt a reliability standard. Furthermore, Constellation supports ERCOT’s proposed process to develop the reliability standard framework.<sup>1</sup> Specifically, Constellation recommends using Expected Unserved Energy (“EUE”) as the key metric of measurement in determining a reliability standard, at an equivalent level of reliability to a 1 event in 10 years Loss of Load Expectation (“LOLE”).<sup>2</sup> Each loss of load event can vary based on the duration and severity which is why incorporating a standard based on EUE will safeguard against long duration events like Uri and result in more accurate measurement of reliability risk

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<sup>1</sup> See Comments of ERCOT, Project No. 52373 (March 20, 2023).

<sup>2</sup> *Id.* at Supplemental Appendix (defining EUE as “[t]he expected total magnitude (in MWh) of LOL events for a given period.”).

over time. Constellation believes EUE is a more robust metric in adapting to changes in the market's resource composition and load shape over time and can reflect the same stringency as 1-in-10 LOLE. Constellation also supports the evaluation of an annual reliability standard that incorporates reliability risk from all seasons of the year, with appropriate analysis for each season. Summer loss of load events can differ greatly from winter and shoulder seasons in terms of their primary drivers and characteristics; therefore, it is important that ERCOT model and understand the different risk profiles across each season and their impacts on the reliability metrics.

The Commission should also consider including deliverability into the reliability standard by directing ERCOT to evaluate subregions where the combination of limited internal resources and import or export constraints in the subregion could cause that subregion to individually fail to achieve the reliability standard even if the overall ERCOT region meets the standard, such as, for example, the Houston zone. If a particular region fails a deliverability screening analysis, the local deliverability risk can be reflected in the market design by implementing a regional constraint or demand curve that reflects an elevated need for operating reserves internal to the subregion to meet the reliability standard given the existing transmission network. In addition to regional deliverability, the Commission should also require that ERCOT determine whether resources that supply reserves to the market are deliverable to load RTO-wide under stress conditions at the level they seek to supply. Resources that are not deliverable to load under stress conditions due to historic transmission policies should not be considered when analyzing reliability and should not be eligible to supply Performance Credits under the PCM mechanism. Inadequate interconnection or other transmission limitations can and should be dealt with separately from PCM with a careful review of the existing interconnection and transmission policies set by the PUCT.

Further, the most effective way the Commission can include deliverability in the reliability standard is to ensure the current market design is sufficient to meet the reliability standard through

periodic study and necessary market design adjustments to achieve that standard. If the Commission commits to a market design to meet a reliability standard, investors will have the regulatory certainty needed to invest with the knowledge that ERCOT will have a competitive market design supported by a reliability standard.

Constellation appreciates the opportunity to provide comments on the Commission's project to establish a reliability standard. Constellation requests that the Commission continue to engage stakeholders as preliminary results are reviewed by ERCOT so that additional observations can be shared as we evaluate the preliminary results from ERCOT. Adopting a reliability standard and a market mechanism to achieve that standard will send a clear signal to financial markets, existing generators, and developers that the Commission is committed to market reform, and they will react accordingly.

Dated: March 29, 2023

Respectfully submitted,

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*On behalf of Constellation Energy Generation, LLC*

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**Executive Summary**

Constellation Energy Generation, LLC (“Constellation”) appreciates the deliberative and thoughtful approach that the Public Utility Commission of Texas (“Commission”) has taken to develop and adopt a reliability standard in ERCOT consistent with the mandates of Senate Bill 3 (“SB 3”). Constellation offers the following recommendations:

- Explicitly adopt a specific reliability standard applicable to all load, measured by Expected Unserved Energy (“EUE”) at an equivalent level of reliability to the 1-in-10 Loss of Load Expectation standard (0.1 LOLE);
- Ensure the reliability standard is sufficient across all seasons and examines regional deliverability;
- Ensure the current market design is sufficient to meet the reliability standard by committing to making the necessary adjustments to achieve that standard; and
- Continue to engage all stakeholders for additional feedback once ERCOT has conducted its preliminary study.

The Commission’s adoption of a reliability standard and a commitment to market design changes to achieve that standard will send a clear signal to financial markets, existing generators, and developers that the Commission is committed to market reform, and they will react accordingly.