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**PROJECT NO. 54584**

**RELIABILITY STANDARD § PUBLIC UTILITY COMMISSION  
FOR THE §  
ERCOT MARKET § OF TEXAS**

**REPLY COMMENTS OF  
CONSERVATIVE TEXANS FOR ENERGY INNOVATION**

COMES NOW Conservative Texans for Energy Innovation (CTEI) and files these reply comments in response to initial comments filed on March 29, 2023, regarding development of a reliability standard for the ERCOT market. CTEI did not file initial comments, due to the highly technical nature of the questions posed by Staff, and CTEI limits these replies to one very narrow issue: that SB3 does not require a mandatory reserve margin.

CTEI is a non-profit clean energy education and advocacy organization composed of thousands of Texans seeking to promote energy innovation and clean energy policies grounded in the conservative principle of common sense, market-based solutions that allow fair competition and provide greater access to clean, affordable, and reliable energy.

**SB3 DOES NOT REQUIRE A MANDATORY RESERVE MARGIN**

In their Initial Comments in this project, Shell Energy states that the relevant requirement in SB3 from the 2021 Legislative Session is to: “‘establish requirements to meet the reliability *needs* of the power region’ and not to establish a mandated capacity procurement *reliability standard.*”<sup>1</sup> CTEI agrees. If the Legislature had intended to require that load serving entities comply with a mandatory capacity procurement, the Legislature could have stated that in the legislation. In electricity markets, it is well-understood that to require load-serving entities to

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<sup>1</sup> Comments of Shell Energy North America (U.S.) LP. (Shell Energy), at 2.

comply with a mandatory reserve margin for capacity (in MW) requires establishing a capacity market, and yet the Legislature took no such action.

In prior comments before the Commission, CTEI has expressed its adamant opposition to the implementation of a capacity market in Texas. Capacity markets pay generation resources to be available in the future, and shift the investment risk from generators to consumers. This approach is directly contrary to one of the key principles behind moving to competition from a vertically-regulated utility construct: moving risk away from captive ratepayers, i.e., consumers. Further, many other states have found capacity markets to be expensive while also failing to encourage the development of new generation. CTEI continues to support the existing energy-only market as a superior market model that is more consistent with conservative principles.

We agree further with Shell Energy that the needs of the grid can be met in a manner consistent with an energy-only market construct through a variety of other means, such as modifying ancillary services procurement and adjusting the ORDC, and that it would be acceptable to have a *target* reserve margin to inform and guide market development.<sup>2</sup> ERCOT, like other grid operators in North America, can and does establish operational and planning rules to ensure compliance with North American Electric Reliability Corporation (NERC) reliability standards, but there is no need to establish a mandatory capacity market in this proceeding, nor did the Legislature call for it.

## **CONCLUSION**

CTEI appreciates the opportunity to provide these comments and looks forward to working with the Commission and stakeholders to ensure ERCOT continues to rely on free markets and

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<sup>2</sup> Shell Energy at 3.

robust competition to deliver reliable solutions rather than government central planning and mandates.

Respectfully submitted,

A handwritten signature in black ink that reads "Matt Welch". The signature is written in a cursive style with a large, stylized "M" and "W".

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