



## Filing Receipt

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**PROJECT NO. 54584**  
**RELIABILITY STANDARD FOR ERCOT      §      PUBLIC UTILITY COMMISSION**  
**MARKET     §     OF TEXAS**

**TEXAS OIL & GAS ASSOCIATION'S REPLY COMMENTS**

The Texas Oil & Gas Association (TXOGA) appreciates the opportunity to provide reply comments on Commission Staff's questions related to developing a reliability standard for the ERCOT market.

TXOGA is a statewide trade association representing every facet of the Texas oil and gas industry including small independents and major producers. Collectively, the membership of TXOGA produces in excess of 80 percent of Texas' crude oil and natural gas, operates over 80 percent of the state's refining capacity, and is responsible for the vast majority of the state's pipelines. In fiscal year 2021, the oil and natural gas industry supported more than 422,000 direct jobs and paid \$15.8 billion in state and local taxes and state royalties, funding our state's schools, roads and first responders.

Issues pertaining to ERCOT's reliability are of the utmost importance to TXOGA members. Any interruption in grid service, even for a fraction of a second, can cause the shut-down of facilities. Such unexpected shutdowns impose all sorts of risks – from environmental to personnel safety, and financial impact. Unlike other consumers, when an industrial facility shuts down due to such a grid disruption, it could take hours to weeks to fully restore safe operations. Even operators that generate their own electricity rely on a functioning grid for safe and reliable operations. Therefore, TXOGA sees benefits from a carefully and thoughtfully designed reliability standard.

TXOGA would like to respond to a handful of statements made by other commenters.

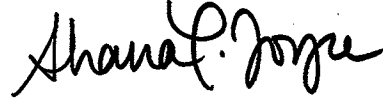
- Electric Reliability Council of Texas, Inc.:
  - "...any load shed event should not last for more than x hours. ...load shed events due to generator inadequacy should not occur more than once in x years on a probability-weighted basis. ...limit on the magnitude of any single loss of load event so that the maximum load that can be rotated for any event should not exceed x% of peak (-x MW for today)." *TXOGA does not agree. Limits on load shed events like the number of hours are completely arbitrary. The Commission must focus on metrics which reflect the economic trade-off of marginal improvements in reliability relative to the cost of those improvements. Such focus will ensure that ERCOT ratepayers get value for their money as well as allow for ex post analysis to determine if that is the case.*
- Shell Energy North America (US), L.P.:
  - "A reliability standard that is based on a mandatory procurement of capacity (MW) is contrary to an energy-only market design. Energy and Ancillary Service

markets could be modified to meet a target Reliability standard to ensure resource adequacy.” TXOGA agrees. *The energy-only portion of ERCOT’s market design should not be distorted by using a reliability standard as a back door to mandatory and indiscriminate capacity payments disguised as higher energy prices.*

- “...the design of any target reserve margin reliability standard for ERCOT must be designed to balance tradeoffs between cost and the reliability benefit.” TXOGA agrees. *Consideration of the costs relative to the benefits is paramount to creating a sound reliability standard which will enhance the ERCOT market.*
- Texas Industrial Energy Consumers:
  - “A reliability standard must be rooted in economic principles to be fair and cost-effective for consumers. As this project moves forward, the Commission should focus on establishing a reliability standard that is rooted in sound economic principles. Absent an economic underpinning, a reliability standard will essentially be plucked out of thin air, which risks creating an arbitrary goalpost, such as the antiquated "one event in ten years" standard.” TXOGA agrees. *A reliability standard which is not rooted in economic principles will undermine the ERCOT market and the Texas economy.*
  - “The Commission should also use transparent metrics and assumptions that can be reviewed and scrutinized by all market participants, rather than simply announcing a target reserve margin, a required level of "additional generation needed," or other "black box" metrics that are opaque and highly sensitive to modeling assumptions.” TXOGA agrees. *The Commission must use a transparent process and seek market participant engagement to develop the best and most durable reliability standard.*
- Texas Solar Power Association and the Solar Energy Industries Association:
  - “...regulators should consider all supply side and demand-side resources in both determining capacity needs and in developing potential solutions to reliability problems.” TXOGA agrees in principal. *The Commission should always consider the least cost solutions. Such solutions could also include ancillary services and weatherization.*
- Vistra Corp.:
  - “...recommends that the Commission and ERCOT include in their evaluation a measure to take into account the "risk-averse" nature of reliability events, such as the "Conditional Value at Risk" (or CVaR) framework or something similar to it.” TXOGA does not agree. *The Commission must use only measures which inform the economic trade-offs of increased reliability vs. cost. Moreover, employing a novel metric like CVaR without first holding stakeholder workshops where novel metrics can be explored and debated would be extremely risky.*

TXOGA supports the development of a reliability standard for ERCOT which is developed through a transparent and open process and weighs the tradeoffs of marginal improvements to reliability against the cost of achieving these improvements. A thoughtful approach to such a standard will lead the best outcomes for the ERCOT market and Texas.

Respectfully submitted,

A handwritten signature in black ink, reading "Shana G. Joyce". The signature is fluid and cursive, with the first name "Shana" and last name "Joyce" clearly legible.

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