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

HUNT ENERGY NETWORK L.L.C. COMMENTS

Hunt Energy Network, L.L.C. ("HEN") submits the following comments in response to the Public Utility Commission of Texas ("PUCT" or "Commission") request for comment on the Proposal for Publication dated June 13, 2024 of new 16 TAC §25.508 related to the Reliability Standard for the ERCOT Market.

HEN supports the adoption of a Reliability Standard for the ERCOT Market and respectfully suggests that the components of the standard should account for impacts of significant reliability events, even if such events have a low probability of occurrence. With the continued addition of significant amounts of solar generation, the ERCOT system is bolstered with additional capacity during many of the summer hours and the risk of outages is somewhat minimized to the solar ramping periods. Therefore, the significant reliability challenge facing the ERCOT system for the foreseeable future is a winter storm event that results in almost total loss of wind and solar generation and potential for substantial loss of thermal generation coupled with greatly increased heating load. The frequency of such events is low – therefore the expected impact on Loss of Load Expectation (LOLE) is also low. However, as we have learned from Winter Storm Uri in February 2021, the costs of such events in terms of lives lost, health, safety, and monetary loss to the Texas economy far exceed any costs incurred by the market to ensure reliable supply and ability to rotate load outages of short duration for each rotation.

Because the winter storm event places the most extreme stress on the grid, if the Reliability Standard and subsequent market design and structural changes to meet that standard solve such winter storm events, then the ERCOT system will be more than capable of meeting reliability challenges in any other season. It will be a disservice to the ERCOT market and would not meet the legislative intent of requiring a Reliability Standard if the standard is set such that an extreme winter event is not addressed.

Further, the purpose of the Reliability Standard should be to inform policymakers and market participants of the extent of the need for dispatchable resources to ensure that the standard can be achieved. As an example, the statutory requirement for Dispatchable Reliability Reserve Service ("DRRS") provides that ERCOT shall determine the quantity of DRRS necessary considering "historical variations in generation availability for each season **based on a targeted reliability standard or goal**..." (PURA § 39.159(d)(1), emphasis added). This means that the Reliability Standard should be specific and targeted enough to permit ERCOT to calculate the quantity of DRRS required to achieve the standard. With this perspective in mind, HEN offers these comments.

I. Commission's Preamble Questions

1. **What are the advantages and disadvantages of enshrining an exceedance tolerance for magnitude and duration in the commission's rule?**

HEN recommends that the exceedance tolerance be included in the rule. As explained above, one key purpose of the reliability standard is to guide ERCOT in determining the resource adequacy needs of the ERCOT grid and specifically, the quantity of reserve services required. This means that the standard established in the rule be specific enough to provide clarity and guidance to ERCOT in making this determination. The exceedance tolerance is a necessary component of the calculations to establish whether ERCOT has procured sufficient services to meet the standard, therefore it should be included in the rule.

2. **Should the exceedance tolerance be evaluated more frequently than the reliability standard? If so, what is the appropriate frequency?**

HEN recommends that all components of the standard be reviewed at the same time, since there is interplay between the components. The exceedance tolerance is one of the components and it should be reviewed at the same time the other components of magnitude, duration and frequency are reviewed.

II. HEN's Comments on the Proposed Rule

1. Magnitude

Magnitude should be the controlling reliability standard for the ERCOT Market. The Frequency and Duration standards should be easily met if the Magnitude standard is met. Proposed Rule §25.508(b)(3) addresses the Magnitude standard, stating that "the expected highest instantaneous level of load shed during a loss of load event for the ERCOT region, measured in megawatts, must be less than the maximum number of megawatts of load shed that can be safely rotated during a loss of load event, as determined by ERCOT, in consultation with commission staff and the transmission operators, with a 0.25 percent exceedance tolerance." However, this provision does not establish a firm maximum magnitude, only that the load shed must be something less than a complete load shed of all megawatts that can be safely shed. This does not provide the meaningful guidance required by PURA to allow ERCOT to determine the quantities of DRRS (or other reliability service products such as PCM) needed to meet the standard. Since Magnitude is the controlling variable that drives the other standards, a clear, maximum outage magnitude should be included in the rule.

Currently, according to ERCOT, about 32 GW of load can be safely shed and rotated during a loss of load event. However, if just under 32 GW of load is shed (which would be in compliance with proposed §25.508(b)(3)), it is HEN's understanding that there would be no additional load that could be shed on a rotating basis so, in effect, there would be no meaningful rotation of the load shed and nearly the entire 32 GW would be shed for the entire duration of the event if needed. Since extreme winter events can be of very long duration, up to multiple days, allowing the loss of nearly half of the ERCOT system load for the entire duration of the event is unacceptable – that much load was not even estimated to be shed during Uri.

HEN believes that this outcome is not the intent of the proposed rule language. Therefore, clarifying language should be added to avoid any ambiguity and provide greater clarity and guidance to ERCOT. The rule should clearly state the maximum amount of load that may be safely shed and still permit a rotation of the load shed. Since extreme winter events can be of long duration, HEN firmly believes that no shed load should be out of service for more than 25% of the event duration (implying a Magnitude limit of 8 GW for the current 32 GW of load that can be controllably shed) – e.g., total rotated load shed of no more than 1 hour for every 4 hours of the event on average. ERCOT's suggestion of 60% (or 19 GW of load shed at a time – similar in magnitude to load shed during Uri) would imply total rotated load shed of no more than 2.4 hours

for every 4 hours of the event on average – HEN believes this level of load shed poses significant risk to life, safety and the economy as demonstrated during Uri. HEN therefore proposes the following amendment to §25.508(b)(3):

> (3) **Magnitude**. The expected highest instantaneous level of load shed during a loss of load event for the ERCOT region, measured in megawatts, must be less than 25% of the maximum number of megawatts of load shed that can be safely rotated during a loss of load event, as determined by ERCOT, in consultation with commission staff and the transmission operators, with a 0.25 percent exceedance tolerance.

2. Loss of Load Expectation (LOLE)

Although HEN believes Expected Unserved Energy ("EUE") is a better measure of reliability than the Loss of Load Expectation ("LOLE"), HEN would suggest that both LOLE and EUE be provided for informational purposes and is not opposed to using LOLE as one of the reliability measures since that measure should not be the controlling metric in the foreseeable future if the Magnitude measure is properly designed.

HEN appreciates the opportunity to offer these comments and is available to answer questions the Commission may have.

Respectfully submitted,

/s/ Stephanie Kroger

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

COMMENTS BY HUNT ENERGY NETWORK L.L.C.
EXECUTIVE SUMMARY

- With the continued growth of solar generation meeting demand in the summer, the significant reliability challenge for ERCOT is a winter storm event with nights of extreme cold. Because the winter storm event places the most extreme stress on the grid, if the Reliability Standard and subsequent market design and structural changes to meet that standard solve such winter storm events, then the ERCOT system will be more than capable of meeting reliability challenges in any other season.

- A key purpose of having a reliability standard is to provide guidance to ERCOT to determine the quantity and types of reliability products it should procure. PURA § 39.159(d)(1) requires that the quantity of DRRS be determined by ERCOT using a targeted reliability standard. Therefore, the rule must be specific and clear as to the standards established.

- Magnitude should be the controlling reliability standard that for the ERCOT Market. The Frequency and Duration standards should be easily met if the Magnitude standard is met.

- Proposed Rule §25.508(b)(3) does not establish a clear maximum amount of load that may be safely shed while still permitting a rotation of the load shed and therefore does not provide the needed clarity and specificity.

- Clarifying language should be added to the proposed rule to clearly establish the maximum amount of load that may be safely shed and still permit a rotation of the load shed. Since extreme winter events can be of long duration, HEN firmly believes that no shed load should be out of service for more than 25% of the event duration (implying a Magnitude limit of 8 GW for the current 32 GW of load that can be controllably shed). HEN therefore proposes the following changes to §25.508(b)(3):

> (3) **Magnitude**. The expected highest instantaneous level of load shed during a loss of load event for the ERCOT region, measured in megawatts, must be less than <u>25% of</u> the maximum number of megawatts of load shed that can be safely rotated during a loss of load event, as determined by ERCOT, in consultation with commission staff and the transmission operators, with a 0.25 percent exceedance tolerance.