

## Filing Receipt

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#### **PROJECT NO. 54584**

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### RELIABILITY STANDARD FOR THE ERCOT MARKET

### BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

### THE STEERING COMMITTEE OF CITIES SERVED BY ONCOR AND TEXAS COALITION FOR AFFORDABLE POWER'S COMMENTS ON THE <u>RELIABILITY STANDARD FOR THE ERCOT MARKET</u>

The Steering Committee of Cities Served by Oncor (OCSC) and Texas Coalition for Affordable Power (TCAP) (collectively, Commenters) submit these Comments in response to the request for comments by the Public Utility Commission of Texas (Commission) in Project No. 54584.<sup>1</sup> The Commission's request for comments seeks responses to questions regarding reliability metrics the Commission should consider for purposes of an ERCOT reliability standard. The Commission requested that interested parties file comments by March 29, 2023. Therefore, these Comments are timely filed.

OCSC and TCAP are groups of over 160 municipalities and political subdivisions that purchase electricity for various uses, including functions critical to the health and safety of the Texans who live within their boundaries. These functions include police, fire, ambulance, water and wastewater, street lighting, emergency warming centers, and emergency coordination. Importantly, these critical functions are provided for through public funds. Because Commenters' members are stewards of those funds and provide municipal services that safeguard public health and safety, OCSC and TCAP generally have an interest in the major electricity market redesign concepts at issue in this matter.

#### I. EXECUTIVE SUMMARY

As requested, Commenters have provided a one-page Executive Summary at the end of this submission.

#### **II. COMMENTS**

Commenters appreciate the opportunity to provide comments on metrics related to ERCOT's reliability standard. Appropriate reliability metrics will best establish a reliability standard that provides tangible value to the ERCOT grid. Recent winter storms and related outages

<sup>&</sup>lt;sup>1</sup> Memo and Questions for Stakeholder Feedback (Mar. 7, 2023).

demonstrate the importance of grid reliability and an adequate reliability standard. Commenters are consumers that also support a strong ERCOT market and competitive energy prices. It is imperative that the Commission engage in a robust, analytical study to compare alternative reliability metrics and establish a framework that ultimately produces a reliability standard that enhances grid reliability at a reasonable cost to consumers.

A modified reliability standard will influence investment decisions regarding dispatchable generation. It will directly affect electricity prices and, as such, greatly impact Commenters, their constituents, and the Texas economy as a whole. The Commission must avoid false precision and commit to a reliability metric only after extensive analysis and stakeholder collaboration.

### 1. Commenters do not have a recommendation for a specific reliability metric without additional analysis and study regarding each metric and its market impact.

Commenters urge the Commission and ERCOT to further analyze proposed reliability metrics and related market impact before it proceeds with a reliability framework and, eventually, adopts a new reliability standard. Specifically, Commenters caution the Commission from departing from the 0.1 Loss of Load Expectation (LOLE) metric without a firm analytical justification. The 0.1 LOLE metric is a proven reliability metric with quantified market impacts and consumer cost. Although the Loss of Load Hours, Expected Unserved Energy, or some other metric may ultimately be superior, the Commission must reach this conclusion based on a firm analytical foundation. This necessarily includes a robust comparison of each metric and its market impact. Commenters support ERCOT's commitment to discuss the reliability framework with the North American Electric Reliability Corporation (NERC),<sup>2</sup> but to fully evaluate reliability metrics, additional collaboration and analysis is needed. The Commission's efforts regarding alternative reliability standards could, without full consideration of alternatives and their implications, suggest a false degree of precision that results in confusion and unnecessary costs.

## 2. Commenters urge the Commission to consider deliverability in the reliability standard.

Deliverability should be a key component of the PUC and ERCOT's analysis of alternatives. It is overly simplistic to assume perfect deliverability in ERCOT's simulations. Winter Storm Uri illustrated the uncertainty of natural gas deliverability during extreme weather

<sup>&</sup>lt;sup>2</sup> ERCOT's Follow-Up Information Re the Proposed Reliability Standard Framework and Potential Request for Proposal (RFP) for a Value of Lost Load (VOLL) Consultant at 2 (Mar. 20, 2023).

events and its effect on power generation. And the West Texas Generic Transmission Constraint demonstrates that, even in times of high resource availability, energy is not always deliverable. Reliability metric simulations must capture the disconnect between generation, deliverability, and load to accurately reflect real-world scenarios and produce an effective reliability standard. The Commission has data regarding key capacity constraints in the ERCOT system and should therefore include this data in its reliability metric simulations. For example, to capture gas deliverability in reliability simulations, the Commission should incorporate evidence related to natural gas disruptions during winter storm events beginning with Winter Storm Uri.

### **3.** Commenters recommend that the Commission establish a comprehensive reliability standard that does not include location or seasonal components.

Commenters believe this project exercise relates to the appropriate reliability metric and standard to meet the needs of the entire ERCOT interconnect. Therefore, Commenters recommend that the Commission avoid both locational and seasonal considerations in ERCOT's reliability standard. A comprehensive standard that applies to the entire ERCOT system would serve as a stable market indicator and, therefore, most effectively incentivize generation necessary to achieve reliability. In contrast, a standard that fluctuates by location or season fails to provide generators the certainty and confidence necessary to make critical financial decisions. A comprehensive, stable reliability standard would remedy this issue and promote reliability accordingly. Commenters acknowledge the importance of localized reliability concerns, such as the long-standing reliability challenge of sufficient transmission interconnection in the Lower Rio Grande Valley. But these concerns are separate from the issues in this project and, therefore, should be excluded from ERCOT's reliability metrics.

The reliability standard must account for extreme weather events. Winter Storm Uri demonstrated how extreme weather events directly impact generation and transmission. Moreover, extreme weather events impact fuel deliverability and, therefore, indirectly affect generation due to fuel constraints. The Commission and ERCOT should consider each of these impacts in the reliability assessment. Commenters at this time do not have a response to the fourth sub-question regarding how the Commission could capture the value of distributed energy and load resources in a reliability standard. Nevertheless, Commenters recognize that, based on recent discussions at the Legislature, Commission, and ERCOT, distributed energy resources will likely soon be fully integrated into the ERCOT market. The Commission should consider these resources at that time of increased regulatory certainty.

# 4. The Commission should only update the calculation for the requirements necessary to meet the reliability standard after a significant change in circumstances or technology.

Commenters recognize that market and regulatory certainty coupled with market design transparency enable robust market participation. It would be extremely difficult to achieve market and regulatory certainty if the Commission routinely updated the calculation for the requirements necessary to meet the reliability standard. This would inevitably frustrate market participation and, ultimately, grid reliability.

Commenters therefore urge the Commission to update the calculation for the requirements necessary to meet the reliability standard only after a significant change in circumstances or technology. The 1999 market deregulation efforts and subsequent nodal market transition are significant regulatory changes that would warrant an update to the reliability standard calculation. Full integration of demand-side resources, the mass introduction of green hydrogen or other new energy sources onto the ERCOT system, or significant battery storage technology improvements could also warrant an update to the reliability standard calculation. Absent material changes of this magnitude, the Commission should prioritize regulatory certainty and maintain its reliability standard calculation requirements.

### 5. Commenters do not have any industry or academic papers regarding a reliability standard framework to offer the Commission.

Commenters do not have any additional reliability standard framework studies to offer the Commission.

#### **III.CONCLUSION**

OCSC and TCAP appreciate the opportunity to comment on the Commission's reliability standard framework and request that the Commission analyze each proposed reliability metric in detail before it finalizes the reliability standard framework. Commenters support market redesign measures that ensure greater reliability during emergencies. But Commenters emphasize that the Commission should deliver reliability as cost-effectively as possible. Moreover, Commenters caution the Commission of false precision and an overly prescriptive reliability standard that results in unnecessary and undue consumer cost. OCSC and TCAP look forward to future work sessions, discussions, and opportunities for stakeholder engagement regarding the Commission's reliability metrics, and appreciate the opportunity to submit these Comments to the Commission.

Dated: March 29, 2023

Respectfully submitted,

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### ATTORNEYS FOR STEERING COMMITTEE OF CITIES SERVED BY ONCOR AND TEXAS COALITION FOR AFFORDABLE POWER

### **CERTIFICATE OF SERVICE**

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on March 29, 2023, in accordance with the Order Suspending Rules, issued in Project No. 50664.

THOMAS L. BROCATO

### The Steering Committee of Cities Served by Oncor and Texas Coalition for Affordable Power

### **EXECUTIVE SUMMARY**

- The Commission should further analyze proposed reliability metrics and related market impact before it proceeds with a reliability framework and, eventually, adopts a new reliability standard.
- It is essential that the Commission proceeds cautiously and conducts extensive studies regarding each proposed metric to avoid false precision and undue cost on consumers. The Commission must be cognizant of false precision and an overly prescriptive reliability standard that results in unnecessary and undue consumer cost.
- Commenters caution the Commission from departing from the 0.1 Loss of Load Expectation (LOLE) metric unless the Commission conducts additional studies that produce an analytical, data-driven foundation demonstrating a superior reliability metric.
- Commentors urge the Commission to include deliverability in its reliability standard. Reliability metric simulations should capture disconnects between generation, deliverability, and load to accurately reflect real-world scenarios and ultimately produce a sufficient reliability standard.
  - The Commission has data regarding capacity constraints in the ERCOT system and should therefore include this data in its reliability metric simulations.
- The Commission should avoid both locational and seasonal considerations in ERCOT's reliability standard. A comprehensive, stable standard that applies to the entire ERCOT system would serve as a stable market indicator and, therefore, most effectively incentivize generation necessary to achieve reliability.
- The Commission should prioritize regulatory certainty and market stability and, therefore, only update the calculation for the requirements necessary to meet the reliability standard after a significant change in circumstances or technology.