**PUCT PROJECT NO. 52631**

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| **REVIEW OF 25.505** | **§**  **§** | **PUBLIC UTILITY COMMISSION**  **OF TEXAS** |

**TEXAS COMPETITIVE POWER ADVOCATES (TCPA) COMMENTS**

**ON THE HIGH SYSTEM-WIDE OFFER CAP PROPOSAL FOR PUBLICATION**

Texas Competitive Power Advocates (TCPA) is a trade association representing power generation companies and wholesale power marketers with investments in Texas and the Electric Reliability Council of Texas (ERCOT) wholesale electric market. TCPA members[[1]](#footnote-2) and their affiliates provide a wide range of important market functions and services in ERCOT, including development, operation, and management of power generation assets, power scheduling and marketing, energy management services and sales of competitive electric service to consumers. TCPA members participating in this filing provide nearly ninety percent (90%) of the non-wind electric generating capacity in ERCOT, representing billions of dollars of investment in the state, and employing thousands of Texans.

Setting the high system-wide offer cap to $4,500 *can* be appropriate, if properly coordinated with other changes to the operating reserve demand curve (ORDC) parameters and shape. TCPA appreciates the Public Utility Commission of Texas’ (Commission’s) recognition that lowering HCAP without commensurate adjustments to the probability of reserves falling below minimum contingency level (PBMCL) would take revenues out of the ERCOT market and exacerbate the resource adequacy issues the Commission is working to solve.[[2]](#footnote-3) The direction to Brattle to model ORDC changes at varying HCAP amounts and with PBMCL thresholds at varied levels is appropriate to ensure the decision adopted by the Commission will best advance the state’s reliability goals in the context of overall market changes.

TCPA does recommend that the HCAP level, regardless of where the Commission determines it should be, be set such that the revised ORDC is able to account for the new conservative operating posture in ERCOT. TCPA suggests that the Commission adopt changes to the PBMCL and other ORDC parameters needed to ensure no harm is done to the market and to contribute to the investment signals desired to yield additional dispatchable generation investments. As long as these additional necessary changes are adopted through an ERCOT Other Binding Document Revision Request (OBDRR) before the end of 2021 with a directive to ERCOT to implement them at the same time the HCAP is lowered then these changes can, collectively, be effective for January 2022. TCPA believes concurrent implementation of these changes supports the Commission’s efforts to send a clear signal that lowering the HCAP does not mean revenues in ERCOT will be reduced and the market will respond favorably. However, there is little time for this to take place; if the Commission does not decide on changes to the PBMCL and other ORDC parameters at the same time it decides on the changes proposed in this rulemaking, the Commission should set a delayed implementation date for this rulemaking to allow for simultaneous implementation sometime after January 1, 2022.

TCPA understands the Legislature intends for the Commission to develop a competitive market solution in ERCOT that achieves a reliable grid by maintaining the existing fleet and providing investment signals, through more stable and consistent revenue streams. Lowering the HCAP without simultaneously addressing other needed ORDC changes (i.e., the PBMCL shift and additional modifications to the curve necessary to address the new ERCOT requirement to have 6,500-7,500MW in reserves and to incentivize investment) will be entirely counter to the Legislature’s goal to align the competitive market with the required reliability.

The Commission should direct ERCOT to work with Brattle on analysis to guide the appropriate modifications to the curve. Any ORDC reforms should support investment signals and operating requirements, and not take a step backwards. Additionally, the direction on ORDC reforms should, at a minimum, ensure that the online reserves ERCOT has determined are needed are obtained through the market with self-commitments and not through the Reliability Unit Commitment (RUC) process, which is a control room-determined out-of-market action. The goal should be to allow the energy and ancillary service markets, in concert with the ORDC, to provide proper incentives to resources to self-commit without having to be in an energy emergency situation.

TCPA has clearly heard both the Legislature’s and the Commission’s intention that the market move away from a crisis-dependent market structure to one that provides a more stable and consistent revenue base for generation resources, as well as more predictable pricing for loads. It is crucial to achieve reliability through the competitive markets. Therefore, the Commission should adopt the simultaneous implementation of the complete ORDC reforms along with the HCAP reduction.

Dated: October 28, 2021

Respectfully submitted,

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**EXECUTIVE SUMMARY OF TEXAS COMPETITIVE POWER ADVOCATES COMMENTS ON THE PFP FOR LOWERING THE HIGH SYSTEM-WIDE OFFER CAP (HCAP)**

* TCPA supports the lowering of the cap only in conjunction with commensurate ORDC reforms needed to maintain existing revenues and provide additional revenue necessary to send investment signals to existing and new generation resource owners. Setting the high system-wide offer cap to $4,500 *can* be appropriate, if properly coordinated with other changes to the ORDC parameters and shape.
* TCPA recommends, at a minimum, that ORDC reforms include an increase to the “probability of reserves falling below the minimum contingency level” (PBMCL).
* The ORDC reforms should at a minimum incentivize the economic commitment of a desired level of real-time operating reserves of 6,500MW to 7,500MW at a reasonable price. This is needed to ensure that resources will have the financial incentive to self-commit and ERCOT won’t have to rely on out-of-market forced commitment of resources to get to desired operating reserves levels.
* The Commission should implement all reforms to the ORDC at the same time as lowering the HCAP to ensure prices in the competitive market appropriately reflect the value of operating reserves.
* The Commission should adopt all required ORDC changes prior to the end of 2021 and direct ERCOT to file the OBDRR necessary to simultaneously implement the comprehensive ORDC reforms as well as the lower HCAP adopted by the Commission by January 2022; if the Commission does not anticipate a decision on holistic ORDC changes in time to permit ERCOT to process and implement an OBDRR for January 2022, then the Commission should delay the effect of this rule to allow for simultaneous implementation.

1. TCPA member companies participating in these comments include: Calpine, Cogentrix, EDF Trading North America, Exelon, Luminant, NRG, Shell Energy North America, Talen Energy, Tenaska, TexGen Power, and WattBridge. [↑](#footnote-ref-2)
2. Comments from Chairman Lake during the October 7, 2021 Open Meeting and comments from Chairman Lake and Commissioners Cobos, McAdams, and Glotfelty during the October 21, 2021 Open Meeting. [↑](#footnote-ref-3)