

PROJECT NO. 52373

**REVIEW OF WHOLESALE
ELECTRIC MARKET DESIGN**

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**PUBLIC UTILITY COMMISSION

OF TEXAS**

TCPA COMMENTS ON PHASE II MEMO FROM COMMISSION STAFF

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 members¹ 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 provide almost ninety percent (90%) of the non-wind electric generating capacity in ERCOT and represent a diverse set of generation interests, all contributing in critical and complementary ways to the efficient operation of a competitive energy-only market. TCPA members have invested billions of dollars in the state and employ thousands of Texans.

COMMENTS ON PRINCIPLES

TCPA appreciates the Commission’s hard work on these very difficult and complex topics and appreciates the opportunity to provide comments throughout the process. In general, TCPA agrees with most of the principles outlined in the staff memo for the Load-side Reliability Mechanism (LRM) and the Backstop Reliability Service (BRS). As we have recommended in previous comments regarding market design and the various proposals filed with the Commission, TCPA encourages the Commission to continue to thoroughly explore both the LRM and BRS concepts through a deliberate, analytical process that includes robust stakeholder participation. While the principles outlined in the memo are good guideposts for the Commission to use in evaluating different market design options, it is important to carefully craft a policy solution that

¹ TCPA member companies participating in these comments include: Calpine, Cogentrix, EDF Trading North America, Exelon, Luminant (Vistra), NRG, Shell Energy North America, Talen Energy, Tenaska, TexGen Power, and WattBridge.

addresses reliability, preserves the competitive market, ensures a level playing field for market participants, and avoids unintended consequences.

While TCPA agrees with most of the principles outlined in the December 6, 2021 memo by Commission Staff, TCPA recommends the evaluation and implementation of the LRM and BRS concepts be guided by the following principles:

First, the LRM should include a key principle to require the LRM target all dispatchable resources that contribute to reliability.

Second, TCPA supports the BRS principles but believes more discussion may be warranted to determine the appropriate cost allocation methodology. TCPA suggests that discussion will be informed by decisions regarding the capacity size and other implementation details. Therefore, TCPA recommends that principles on a specific cost allocation methodology be determined as part of the due diligence and analysis process to be undertaken in 2022 to evaluate the concept.

Third, the procurement quantity of BRS should be determined as an amount of capacity, which is needed in addition to the typical amount of market-based resource MWs to reliably serve the seasonal net load variability.

Fourth, BRS-committed capacity should be offered to avoid impacts on price signals.

Finally, as a matter of process, when developing its blueprint, the Commission also should adopt a schedule that entails critical decision points, preceded by a process to consider targeted stakeholder feedback similar to the schedule and process for market design work sessions held these past six months. This will help ensure 2022 can be a year where the major components of these concepts are evaluated and adopted in sequence, without having to reopen them for debate each step of the way. By demonstrating progress on market design reform, the Commission can bolster confidence for the market and investors that meaningful market changes remain on track and will be delivered.

TCPA appreciates the opportunity to comment and will continue to work with the Commission, staff, ERCOT, and other stakeholders to ensure the continuation of a competitive market that is well-functioning and provides the reliability mandated by the Commission through the competitive market. As we have consistently stated in TCPA comments, as well as individual

member comments, TCPA continues to believe that the Commission must establish a reliability standard (or standards) to evaluate and implement the LRM and/or BRS as quickly as possible following the Phase I changes. The development of a reliability standard can be undertaken concurrently with the development of LRM and/or BRS. If the Commission sets the standard and expectation, designs a market to support the reliability it desires, the competitive market will respond. TCPA urges the Commission to provide clear direction by the end of the year on its plan on schedule/critical decision points for ERCOT market reform, and believes further delay will only leave uncertainty in the market leading to the opposite impact of what is intended.

Dated: December 10, 2021

Respectfully submitted,

A handwritten signature in black ink that reads "Michele Richmond". The signature is written in a cursive, slightly slanted style.

Michele Richmond
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EXECUTIVE SUMMARY OF TCPA COMMENTS ON 12-10-21

TCPA generally supports the principles outline in the December 6, 2021 Staff Memo.

- Craft a policy solution that addresses reliability, preserves the competitive market, ensures a level playing field for market participants, and avoids unintended consequences.
- Evaluate and develop the implementation details for the LRM and/or BRS through a robust stakeholder process over the course of 2022.
- Set a reliability standard to develop the target quantity for the LRM and/or BRS.
- Require the LRM target all dispatchable resources that contribute to reliability.
- Defer a cost methodology determination on the BRS until details regarding the capacity size needed and other details of implementation have been decided.
- Determine the procurement quantity of BRS to be an amount of capacity which is needed in addition to the typical amount of market-based resource MWs to reliably serve the seasonal net load variability.
- BRS-committed capacity should be offered to avoid impacts on price signals.
- Set a reliability standard, establish LRM and/or BRS implementation details over the course of 2022, implement as quickly as possible following the Phase I changes to ensure operational reliability.