



Control Number: 52373



Item Number: 372

# Public Utility Commission of Texas

## Commissioner Memorandum

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**TO:** Chairman Peter M. Lake  
Commissioner Lori Cobos  
Commissioner Jimmy Glotfelty

**FROM:** Commissioner Will McAdams *WMA*

**DATE:** May 25, 2022

**RE:** Project No. 52373 – *Review of Wholesale Electric Market Design*

I have recently had the opportunity to sit down with many of our market participants and discuss methods to improve the Capacity, Demand, and Reserves (CDR) Report and the Seasonal Assessment of Resource Adequacy (SARA). The conversations were insightful, and I appreciate the time and thought that went into everyone's participation. Out of those discussions, I believe that this Commission should collaborate with ERCOT to create better reports for the market operator, for the market participants, and for the public.

The first avenue to make these changes is through 16 TAC § 25.505. I would ask Staff to add this rulemaking project to an already busy rulemaking calendar. Under that project, I believe that we should alter the rule to require ERCOT to publish the CDR on a seasonal basis. The challenges of this spring have highlighted the need to have the insights that report provides on a four-season basis. A more frequent periodic report indicating commercially available new capacity, reflected in a CDR that captures Spring and Fall, would help better inform the public and market on our near- and long-term system resources. Additionally, I would suggest we consider adopting, as part of the rule, target publication dates for each CDR, to hold ERCOT accountable and manage expectations for the public.

Also, within § 25.505, I would have the Commission direct ERCOT to clearly define its resiliency and reliability needs. The current rule requires ERCOT to publish "a resource adequacy report" but does not define "resource adequacy." Under PURA § 39.151(b)(1), the Commission must ensure that ERCOT "establishes requirements to meet the reliability needs of the power region." Based on that statute, I believe that we must create a defined reliability and resiliency metric. This metric is ultimately necessary not only for the accuracy of the CDR and SARA, but also for establishing a North Star to inform all of our choices in the second phase of market redesign. Since Winter Storm Uri, the CDR has become an indicator as to the health of the ERCOT system, for both policy makers and the general public. A defined reliability metric established in rule, with all the transparency and means of public input that this process affords, is essential for reestablishing trust and confidence in our grid.

As a second avenue, as part of Project No. 51888 and as a part of the work being undertaken by the Large Flexible Load Task Force, I suggest we direct ERCOT to create a voluntary system for registering critical industrial load resources and large flexible loads as part of the reliability and resiliency framework. With this information, I would expect ERCOT to create more detailed

line items for load resources in forthcoming adequacy reports. For both critical load industrial customers and large flexible loads, I would add the reporting of these items to the rulemaking for § 25.505.

Under Project No. 51888, I would direct Staff to address the issue of voluntarily registering critical load industrial customers. These are load resources that will never respond to price signals. Our system has an interest in recognizing and registering these bulk loads within our resource adequacy reports, either because of the public safety impact of their being deenergized during a load shed event, or the economic impact to the facility and the community in which they reside. Importantly, we must recognize these loads separately within the resource adequacy reports to send a signal to the market that there are consumers that must be served regardless of the energy price, and they do have an impact on the everyday balance of supply and demand.

For the kind of resources contemplated by the Large Flexible Load Task Force, I believe we need more visibility into the nature, volume, and responsiveness of these loads. This visibility and reporting will help the Commission and ERCOT better understand how to best utilize and manage these load resources. I look forward to seeing the ongoing work of the Task Force and seeing the resulting information incorporated into the CDR and SARA.

Finally, I would ask ERCOT to continue to collaborate with the Commission on reforms to both the CDR and SARA. These discussions have included potential improvements to load forecasting, generation accreditation, scenario analysis, and formatting. Among these improvements, we have discussed establishing criteria for accrediting energy storage resources and demand response resources, and to make adjustments that reflect resource deliverability constraints. While undertaking these reforms, I would stress that ERCOT must preserve transparency into the data and methodologies that ultimately shape these reports.

I look forward to discussing this matter with you at the next open meeting.