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| **Title** | Comments on ERCOT’s September 9, 2022 Board-Proposed Bylaws Amendment |
| **Date** | September 30, 2022 |
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| **Comments** |

# Introduction

Lyondell Chemical Company is a petrochemical company with a number of manufacturing facilities in the ERCOT footprint. We believe that the proposed bylaw changes that would allow further changes to the bylaws without a stakeholder vote would hinder the voice of ERCOT market participants into the decision-making process at ERCOT. The result could have significant negative implications for our company, the ERCOT market, and the Texas economy in general.

**Comments**

The ERCOT Board has issued a request for comments from Corporate Members on a proposed Bylaw Amendment that would eliminate the requirement that Members vote on future proposed amendments to the ERCOT governing documents (e.g., the ERCOT Bylaws).  Lyondell Chemical Company is concerned that this change would lead to the complete elimination of the ERCOT stakeholder process, which in turn would undermine the flexible, adaptive, multi-tiered governance structure of the ERCOT market, one of the key reasons the ERCOT market has been successful in its ability to quickly adapt to rapid changes in electricity supply and demand needs in Texas for more than twenty years.

The proposed change to the ERCOT bylaws that would eliminate the requirement that ERCOT Corporate Members vote on future amendments to the ERCOT governing documents has the potential to hinder Texas business and industry, chill the economic growth Texas has enjoyed with the influx of companies choosing to make Texas their home base, and create serious negative consequences for the commercial and industrial customers of ERCOT who are supporting the economic growth and employment in Texas today.

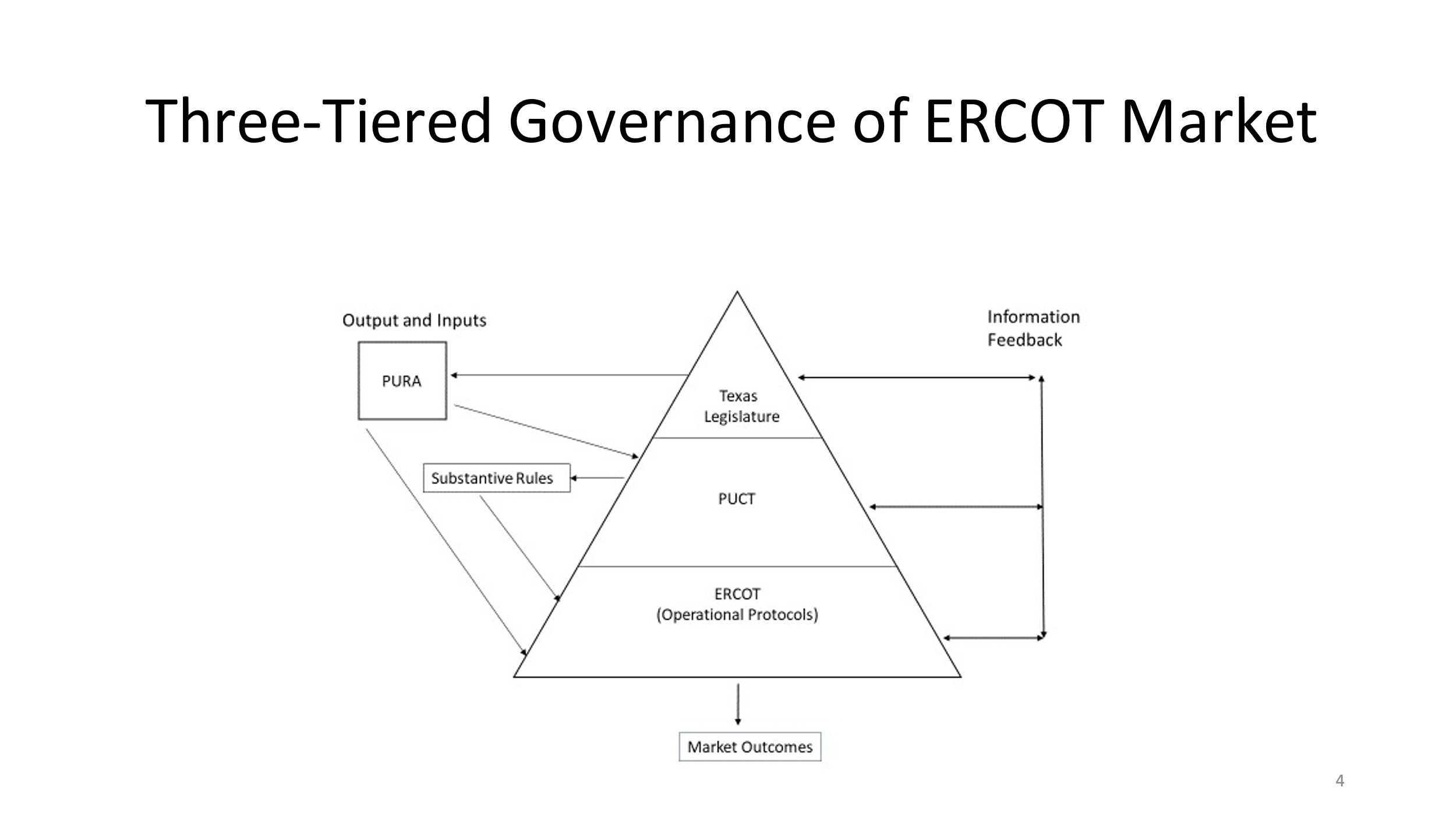
Texas is home to many diverse companies and businesses, all of which have critical and sometimes complicated business operations that are impacted by decision-making at ERCOT. Specifically, the electricity supply and reliability needs and concerns of the petrochemical industry are very different from the needs and concerns of the upstream oil and gas industry, which are in turn very different from the needs and concerns of the steel industry, all of which are different from the needs and concerns of large commercial customers, and so on. Making changes to the ERCOT market without taking into account this diversity of needs and concerns risks increasing energy costs to all electricity consumers, and limits the ability of companies to identify cost-effective solutions that both meet their specific commercial needs and support ERCOT’s overall goal of maintaining grid stability and reliability.

Simple, well-intended solutions provided by a consultant, academic, regulator, or legislator (without the benefit of input from a diverse slate of stakeholders) to problems that arise in the ERCOT market cannot possibly take into account all the potential real-world impacts (and unintended consequences) such solutions may have on Texas companies and Texans in general. Having a diverse slate of stakeholders provide input and debate, and subsequently vote on proposed changes to ERCOT governing documents reduces the likelihood that negative impacts (including unintended consequences) are experienced by consumers and market participants alike.

The traditional ERCOT stakeholder process folds into a larger process in Texas that has enabled ERCOT to support the needs of its market participants, and likewise, enabled its market participants to support the reliability and overall market structure goals of ERCOT. For the past 20 years, Texas has used an “adaptive governance” structure that includes diverse stakeholder input when making large and small changes to the Texas laws, PUCT rules, and ERCOT protocols that govern and shape the ERCOT market. (See Figure below)

Adaptive governance provides flexibility in the face of the unprecedented changes that we are seeing in the ERCOT market and Texas grid by receiving input from those diverse market participants (and other stakeholders) at every level of decision-making. This approach is the most effective and efficient way to meet the needs of all ERCOT market participants, and ensure the ERCOT market works for all Texans. Feedback loops between individual levels of governance are the lifeblood of adaptive governance because they allow for thoughtful and diverse consideration and input needed on proposed changes at ERCOT.

By actively taking the input of market participants and other stakeholders, in combination with prudent regulatory and legislative oversight, compromises and changes in ERCOT protocols, PUCT rules, and Texas law can continue to be made to avoid the largest and most costly unintended consequences associated with proposed changes in ERCOT protocols while ensuring that the public interest is being met by any and all decisions to make changes to the ERCOT market.



**Conclusion**

As such, Lyondell Chemical Company requests that the Board should not move forward with a Bylaw Amendment without a stakeholder vote.