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| Market Segment | N/A |

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| Comments |

**Please provide an Executive Summary and comments on each option below.**

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| Executive Summary |
| * Texas Solar Power Association (TSPA) and Solar Energy Industries Association (SEIA) oppose the manual Performance Credit Mechanism (PCM) because it creates uncertainty and inefficiency in the energy market, may have unintended consequences on the retail market, increases credit and collateral requirements, potentially conflicts with legislative direction, and does not guarantee that Intermittent Renewable Resources have the same opportunity to participate.   + The manual PCM does not recognize the reliability gains from the market reforms already implemented.   + The manual PCM may result in generators running when not needed and loads curtailing when not warranted in an attempt to chase the performance credit hour. These are economically inefficient outcomes that have direct impact on energy prices and economic activity.   + REPs (especially those with contractual, fixed priced products) cannot hedge the costs associated with the manual PCM which could result in fewer retail offerings or REPs exiting the market.   + The manual PCM may also increase credit and collateral obligations that could price some market participants out of the market.   + The manual PCM may conflict with legislative direction. Currently filed SB 2012 prohibits the implementation of the PCM until Real Time Co-optimization is implemented. It also requires any implementation of the PCM or similar program to be implemented at one time rather than on a piecemeal basis. * TSPA and SEIA support ERCOT’s proposal to procure additional ancillary services (AS) because it targets the operational needs of ERCOT, cost-effectively addresses resource adequacy without changing ERCOT’s fundamental market design, and takes advantage of existing tools available to ERCOT.   + An ancillary service approach could be implemented immediately and refined over time.   + Additional AS provides a tightness in the energy market as reflected in energy prices that will incentivize both the retention of existing generation and the investment in new generation.   + ERCOT could immediately buy more ECRS and even non-spin as a bridge to an uncertainty product that could be developed in the next six to twelve months.   + ERCOT could also add a new longer-start product, such as a 2-hour start, that could result in significantly decrease the use of Reliability Unit Commitment (RUC).   + ERCOT should allow Load Resources to participate in providing additional AS. * TSPA and SEIA support enhancing the Operating Reserve Demand Curve because it augments the existing energy-only market without creating a substantially different market design.   + The curve should be designed in such a way to minimize over-procurement through too large a tail that signals commitment need when there is none.   + Establishment of the demand curve should be transparent with substantial stakeholder participation. * TSPA and SEIA support a Backstop Reserve Service (BRS) if modeled as originally suggested by Commissioner Cobos. * The BRS creates a home for distressed resources and a revenue stream to keep those units in the market. * If new capacity is funded through this mechanism, it should continue to be a load related charge. * Capacity that provides BRS and is held "out of the market" to avoid price suppression should have its capital costs repaid to load on a depreciated basis if the owner wants to operate the facility in the future without restrictions. * If BRS is needed for local reliability issues, ERCOT should explore whether the mitigated offer curve multiplier functionality can be modified for BRS so that a very high multiplier will not cause price suppression to resolve these issues. * TSPA and SEIA oppose ERCOT’s proposal to contract for capacity with retired or retiring power plants. * Costs could be substantial considering the economic costs of environmental controls and or other environmental issues that have accelerated the retirements of these very units. * This option only focuses on existing generation and not investment in new generation. * Indicative pricing could provide information and clarity to the market about how the Commission and ERCOT envision this market design approach will operate if the PCM is ultimately endorsed by the Legislature. |

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| Option 1: Implement a Basic settlement component of PCM manually |
| The Texas Solar Power Association (TSPA) and Solar Energy Industries Association (SEIA) oppose the manual PCM because it creates uncertainty and inefficiency in the energy market, may have unintended consequences on the retail market, increases credit and collateral requirements, potentially conflicts with legislative direction, details are lacking about the qualification requirements, and it is unclear whether all resources will have the same opportunity to participate. In addition, the proposal does not guarantee technology neutrality and could potentially arbitrarily block Intermittent Renewable Resources from PCM qualification. TSPA and SEIA support other bridging options which achieve ERCOT’s reliability goals with less impact to existing market structures: procuring additional ancillary services; enhancing the operating reserve demand curve; implementing a backstop reserve service; and the publishing of indicative PCM pricing.  ERCOT and the Public Utility Commission of Texas (PUC) have implemented many new market reforms to address reliability, including weatherization requirements and the introduction of new products such as the Firm Fuel Supply Service (FFSS). These changes have already yielded substantial reliability benefits. Additional products will be deployed in the upcoming months such as Phase 2 of the FFSS and ERCOT’s Contingency Reserve Service (ECRS) that will also provide reliability benefits. Therefore, ERCOT’s bridge solution should be measured and targeted to address specific operational concerns in recognition of the reliability gains from these measures.  Further, the manual PCM causes uncertainty and inefficient behavior in the market. The 30 hours selected to earn credits may not reflect any actual operational reliability concern, yet they could have significant impacts on behavior and cause large swings in generation and consumption in response to an anticipated performance credit hour. Because the hours during which performance credits may be awarded is unknown until after the fact and can occur almost randomly, the manual PCM may result in generators running when not needed and loads curtailing when not warranted in an attempt to chase the performance credit hour. These are economically inefficient outcomes that have direct impact on energy prices and economic activity. The manual PCM simply transfers money from some generators to others without producing any public benefit and does not address the specific operational concerns experienced by ERCOT over the past several years.  The manual PCM proposal may have unintended consequences on the retail market. REPs that are contractually obligated for a fixed price product over a one- to three-year contract period have no ability to hedge and will have difficulty passing through these costs to customers. These financial losses could result in a lessening of retail products or the exit from the market by some REPs. Either result may diminish the competitiveness of the retail market and result in higher costs for consumers.  This proposal may also increase credit and collateral obligations. Because the 30 hours of highest reliability risk will not be known until after the year has ended, ERCOT will collect the energy costs in a look-back settlement. This proposal will likely result in larger credit and collateral obligations to cover the entire year. In contrast, the current market requires much smaller amounts of collateral because invoices are paid daily. Market participants that cannot access the sizable amounts of cash or credit to cover this obligation could be priced out of the market.  Finally, in SB 2012 filed on March 9, 2023, the Legislature has proposed a requirement that the entire PCM program must be implemented on a single starting date and may not be implemented prior to the implementation of real-time co-optimization. (*See* proposed Utilities Code 39.1595.) A manual implementation of the basic components of the PCM would violate these provisions if SB 2012 is enacted. Considering the Commission’s commitment to await legislative guidance on market design issues, a proposal from ERCOT to the Commission to partially implement the PCM before the current legislative session is concluded is premature at best and in the end could be directly contrary to legislative direction. |

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| Option 2: Procure Additional Ancillary Services |
| TSPA and SEIA support ERCOT’s proposal to procure additional ancillary services (AS) because it targets the operational needs of ERCOT, cost-effectively addresses resource adequacy without changing ERCOT’s fundamental market design, and takes advantage of existing tools available to ERCOT. By increasing AS, there will be a tightness in the energy market reflected in energy prices that will incentivize both the retention of existing generation and the investment of new generation. One example of the success of AS in attracting new investment is in the rapid increase in energy storage which now accounts for a significant portion of the provision of AS.  The procurement of additional AS is also attractive because it can be easily implemented. An ancillary service approach could be implemented immediately and refined over time (e.g., changes to ramping criteria, start time, duration, or other performance characteristics as determined by future market needs and market design criteria), and then potentially be reduced in the future if a future market design warrants it.  TSPA and SEIA have previously recommended that ERCOT could immediately buy more ECRS and even non-spin as a bridge to an uncertainty product that could be developed in the next six to twelve months, leveraging the existing work already done for ECRS. ERCOT could also repurpose the non-spin product by adding an additional product, such as a 2-hour start, that would allow additional resources to offer into that service. In addition, a longer-start product could result in significantly less RUCing because it would allow some resources that are currently RUCed (because they cannot meet the 30-minute qualification) an opportunity to participate in the new AS.  Finally, TSPA and SEIA recommend that option 2 allow load resources to participate in providing AS. With the availability of more co-located facilities and improvements in the interconnection process, load resources are a new source for AS that can help support ERCOT’s reliability goals. |

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| Option 3: Enhance the Operating Reserve Demand Curve (ORDC) |
| TSPA and SEIA support the concept of enhancing the Operating Reserve Demand Curve. However, like all of the options presented by ERCOT, the parameters and details of this option are not fully known and the ultimate decisions on the particular details could make this option more or less unattractive. One distinct advantage of this option is that it enhances the existing energy-only market without creating a substantially different market design – it uses an existing tool available to ERCOT. ERCOT can target the ORDC to meet its reliability goals simply and quickly. However, TSPA and SEIA also agree with the comments of Mr. Ogelman at the workshop, that the curve should be designed in such a way to minimize over-procurement through too large a tail that signals commitment need when there is none. If ERCOT were to recommend this option, it is imperative that the establishment of the demand curve be transparent with substantial stakeholder participation. |

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| Option 4: Backstop Reserve Service (BRS) |
| TSPA and SEIA support a Backstop Reserve Service (BRS) if modeled as originally suggested by Commissioner Cobos, and not as a capacity market the way E3 proposed. BRS could procure enough additional capacity to provide a higher level of ancillary services or headroom for unexpected demand and even potentially fund the construction of new generators. One distinct advantage of BRS is that it creates a home for distressed resources and a revenue stream to keep those units in the market. It also creates less impact on the energy-only market.  If new capacity is funded through this mechanism, it should continue to be a load related charge, the way RMR costs are assigned, and as the Commission's policy blueprint suggested. TSPA and SEIA agree with ERCOT that capacity payments to BRS units could provide a competitive advantage over non-BRS resources if BRS resources are allowed to return to the market. Under this proposal, resources start receiving a capacity payment whether they run or not. That revenue can be used in a lot of ways and could provide an advantage if the unit moves back into being a market unit. Capacity that provides BRS and is held "out of the market" to avoid price suppression should have its capital costs repaid to load on a depreciated basis if the owner wants to operate the facility in the future without restrictions on offer prices and market participation, similar to how capacity contributions are considered and repaid in the Protocols today. If BRS is needed for local reliability issues, ERCOT should explore whether the mitigated offer curve multiplier functionality can be modified for BRS so that a very high multiplier will not cause price suppression to resolve these issues. |

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| Option 5: Contracts for Capacity |
| TSPA and SEIA oppose ERCOT’s proposal to contract for capacity with retired or retiring power plants. The procurement of addition Ancillary Services or the establishment of a Backstop Reliability Service is a superior and more cost-effective bridge solution than this option. Under Option 5, ERCOT would pay the fixed and operational costs plus a cost adder for these units. The fixed and operational costs of retired power plants could be substantial considering the economic costs of environmental controls and or other environmental issues that have accelerated the retirements of these very units. In addition, it is unclear what the qualifications are for retired plants that “could be returned to service,“ but the timeline for obtaining a new or amended air quality permit could make this option difficult to implement within the 12 to 18 month timeline. In addition, this option focuses solely on retaining older and less efficient existing plants and does not incentivize new investment. |

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| Option 6: Publish Indicative PCM Values |
| While TSPA and SEIA oppose the PCM, this is an option that could provide further information to the market about how the Commission and ERCOT envision this market design approach will operate if the PCM is ultimately endorsed by the Legislature. In order to implement this option, the Commission will have to determine a reliability metric, make decisions about how resources can participate in the PCM, determine a demand curve, and estimate the cost of credit to support the market design. These necessary steps would provide additional clarity on the Commission’s PCM proposal and could resolve much of the current uncertainty and ambiguity. |

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| Conclusion/Additional Comments |
| TSPA and SEIA appreciate the opportunity to file these comments and look forward to working with ERCOT and other stakeholders on these issues. |