

Phase II Market Design Bridging Options Comment Form

Date	March 13, 2023
------	----------------

Submitter's Information	
Name	Andy Nguyen
E-mail Address	Andy.Nguyen@constellation.com
Company	Constellation Energy Generation, LLC
Phone Number	
Cell Number	
Market Segment	Independent Generator

Comments

Please provide an Executive Summary and comments on each option below.
Submit the completed form to RevisionRequest@ercot.com

Executive Summary
<p>Constellation appreciates ERCOT's commitment to engage with stakeholders on the proposed bridging solutions and offers the follows comments in response.</p> <p>Overshadowing the potential bridging solutions is a request that ERCOT be mindful of the time and resources associated with implementing a short-term bridge solution. The selected short-term bridge solution should not delay implementation of the PCM, should support incremental reliability investment in the existing fleet, and should expire when the PCM is fully implemented. For these reasons, Constellation believes the best bridge solution is to implement a basic settlement component of PCM, as it gets us closer to the long-term market design adopted by the Commission and is consistent with our recommended considerations. Equally important, this is the only bridge solution that will give stakeholders valuable experience in the PCM mechanics. Constellation supports publishing Indicative historical PCM Values to provide more data and transparency for future PCM prices and will be instrumental in the centrally cleared forward market once it is developed.</p> <p>It is important that ERCOT charge the PCM and any other bridge solution as separate line items on ERCOT bills. This ensures that the overall program costs are transparent, and enables LSEs to appropriately allocate its share of program costs to customers. Moreover, ideally the PUCT would acknowledge that the PCM and any bridge solution are new products, benefitting customers, and that the provisions of individual retail contracts with customers would control any charges and collections as to existing retail contracts. At a minimum, the PUCT must refrain from any statements that would appear to prohibit retail suppliers from passing through charges to customers for this new product(s), the details of which have not been fully developed and</p>

Phase II Market Design Bridging Options Comment Form

finalized and which is therefore unhedgeable by suppliers.

Finally, Constellation recommends that ERCOT provide market participants a clearly articulated and certain implementation schedule for any selected bridge solution(s) to allow market participants to prepare for its operation. Specifically, Constellation requests 6 months' notice before any bills are issued. For example, if the ERCOT adopts a bridge solution on July 1, 2023, the first bill should not occur until after January 1, 2024.

Option 1: Implement a Basic settlement component of PCM manually

Constellation believes this is the best bridge option for retaining generation broadly and incenting new construction. Implementing certain key features of the PCM as a bridge solution provides price signals for new generation investment, retention of needed existing generation, and valuable experience for stakeholders to begin adapting to the new market design.

To address LSE credit concerns and concerns regarding timing of payments, Constellation recommends that ERCOT develop a proposal how to charge LSEs for these costs in a way that promotes retail competition and minimizes collateral costs for consumers.

Finally, Constellation recommends that ERCOT provide market participants a clearly articulated and certain implementation schedule for any selected bridge solution to allow market participants to prepare for its operation. Specifically, Constellation requests 6 months' notice before any bills are issued. For example, if the ERCOT adopts a bridge solution on July 1, 2023, the first bill should not occur until after January 1, 2024.

Option 2: Procure Additional Ancillary Services

Constellation does not support procuring additional ancillary services as a bridge. However, if it is ultimately determined to be a potential bridge solution, then Constellation recommends that any such additional ancillary service product procurement only be considered if it can be demonstrated that it can reduce ERCOT's reliance on RUC. ERCOT's own analysis indicated that previous increases in procurement of ancillary services have not resolved ERCOT's reliance on RUC.

Option 3: Enhance the Operating Reserve Demand Curve (ORDC)

Constellation does not believe that ORDC changes should be utilized as a bridge solution with the goal of incenting incremental generation construction or forestalling retirement. Rather, ORDC changes should only be considered at this time for the narrower goal of reducing RUCs,

Phase II Market Design Bridging Options Comment Form

if it can be demonstrated that ORDC changes are likely to achieve that goal.

If ORDC enhancements are selected, Constellation believes that they can be done in addition to the Basic PCM settlement.

Option 4: Backstop Reserve Service (BRS)

Constellation does not support the development of the BRS as a bridge product. Constellation shares ERCOT's concerns that the BRS will delay the full implementation of the PCM, which is essential in providing the long-term regulatory certainty for future dispatchable resource investment.

Option 5: Contracts for Capacity

Constellation believes enhanced Contracts for Capacity should only be used as a last resort and believes that ERCOT should focus on other options that develop the proper market design enhancements to provide the investment signals needed to reach the desired level of reliability.

Option 6: Publish Indicative PCM Values

Constellation supports the development of indicative historical PCM values once the Commission has completed the development of a reliability standard and the other demand curve attributes have been established. These values will be essential for all stakeholders to understand the expected price signals, began hedging for these costs, and will provide key data for the centrally cleared forward market.

Conclusion/Additional Comments