Joint Comments of Consumers on TAC Recommended Bridge Solutions

April 10, 2023

1. **Enhanced Ancillary Service:** Consumers jointly support the continued exploration and development of an ancillary service like the DRRS. DRRS will create more reserves that will lead to a bigger reserve margin, and thus more safety for the people of Texas if it is based on historical variations in generation availability for each season and have the dispatchable flexibility to address inter-hour operational challenges. As outlined in independent studies, the benefits of such a service are numerous. By providing targeted compensation, DRRS would reduce the potential for valuable resources to retire prematurely, target payments to flexible resources, and reduce the excess cost from ERCOT’s current conservative operations. Rejection of consideration of the DRRS as a bridge mechanism based on an arbitrary timeframe for the bridge is unnecessarily limiting and may suppress valid economic market signals. Simply announcing the commitment to and size of the Ancillary Service procurement could be made within this timeframe, and would positively influence forward markets.
2. **Level of Enhanced ORDC Compensation**: Consumers jointly oppose excessive transfers from consumers to generators that are without economic foundation. As has been repeated throughout this policy discussion, revenues have far exceeded Peaker Net Margin in three of the last four years. To the extent that ERCOT and the Commission are going to modify the ORDC, the modifications should accommodate demand response from loads where possible. Consumers recognize that it is better to modify ORDC in a way where some consumers are incentivized to participate in demand response. It is unreasonable to expect a significant demand response to $10 adders. A few $500 or $2000 adders are better than hundreds or thousands of $10 adders. The proposed $500 million transfer remains an arbitrary number without substantive justification. Though the E3 report showed that the net cost was about $500 million, there is no particular evidence that $500 million in enhanced ORDC payments will achieve some particular outcome. There is no rational or studied basis for a target of $500 million. It is not based on a particular reliability standard or generator performance guarantee. No party, including the Commission, has said anything like $500 million is needed every year, or even right now. Therefore, we suggest that a $250 million, or lower, goal is equally justified, and ERCOT should explain why $500 million is the appropriate revenue target.
3. **Transparency and Reporting**: Consumers jointly support transparency and reporting of the flow of funds from consumers that are intended to stimulate generation construction. If generator revenues are raised to some target by an enhanced ORDC or other mechanism, ERCOT should publicly report on a quarterly basis the generators who are recipients of the enhanced revenues and the dollar value received by each generator. Generators receiving enhanced revenues above a reasonable threshold should be required by the Commission to report on a quarterly basis on the uses of those enhanced funds. The intent is that the revenue from these ORDC enhancements or other related mechanism are to be used for capital investment in new or refurbished generation facilities. Generators unwilling to submit to transparency and reporting should forego any enhanced revenues.