April 12, 2023

ERCOT Board of Directors
8000 Metropolis Dr.
Building E
Austin, Texas 78744

Dear Board Members,

The Technical Advisory Committee will be recommending a solution intended to direct additional revenue to generators as a prelude to a permanent market redesign. The structure endorsed by the majority of TAC members would, as we understand it, assure a minimum of $10 ORDC when dispatchable reserves fall below 7,000 MW and of $20 when they fall below 6,500 MW. While the proposed mechanism will clearly flow more money to generators (the estimated cost for 2022 would have been nearly $500 million annually), it is difficult to envision it will achieve the desired goal of driving the development of new dispatchable generation.

One near certain outcome will be the distortion of price signals to the market, reducing real time price volatility and severely reducing or eliminating the viability of demand response as a critical and much needed tool in the evolution of our market. ERCOT's conservative approach to market operations since Winter Storm Uri has already had a dampening effect of real time price volatility. Funneling more money into the market well in advance of actual scarcity events will only exacerbate the situation.

OhmConnect Energy was the first REP that integrated demand response into all of its retail offerings. Since our market entry in 2021, a number of REPs have begun to follow suit. This is a powerful and positive trend for ERCOT, as we move from a market dominated by thermal generation to one increasingly supplied by non-dispatchable renewable resources. Non-responsive generation requires responsive load and the broad acceptance and participation of this technology by residential consumers will be a critical element in a rational transition and sustainable future

Solutions like the one proposed by TAC will serve to suppress the market and will severely undermine the development of DR and other price responsive technologies our market needs today.

One of the other options evaluated by ERCOT would raise the floor of the ORDC to about $1,500 when available reserves fall below 4,000 MW. This solution, which would also send artificial price signals to the market, would more effectively incent both load reduction and incremental new and existing generators in times of more critical market need. This alternative will clearly add costs but these were estimated to be just over $200 million had this mechanism been in place in 2022. It is also worth noting that the entire consumer segment voted against the TAC preferred option.

OhmConnect

I think there is a unanimous belief that the market needs to incentivize the development of new dispatchable generation. The Legislature, the PUCT, and ERCOT are pursuing multiple alternatives to achieve this outcome. It is critical, however, that in the rush to drive new development, the cost to consumers and the potential benefit of new and emerging technologies are not lost from the equation.

Sincerely,

Don B. Whaley