

TAEBA Comments on the Proposed ERCOT Market Design Framework

Texas Advanced Energy Business Alliance (“TAEBA”) submits these comments in response to ERCOT Staff's request for comments on the Market Design Framework. TAEBA includes local and national advanced energy companies seeking to make Texas's energy system secure, clean, reliable, and affordable. Advanced energy technologies include energy efficiency, energy storage, demand response, solar, wind hydro nuclear, and electric vehicles (“EVs”). TAEBA's membership also includes advanced energy buyers, representing the interests of large electricity consumers interested in increasing their purchases of advanced energy to meet clean energy and sustainability goals.

We find that the Market Design Framework (referred to from here on as “the framework” or “the market framework”) could be a useful evaluation tool for the ERCOT market, but in its current iteration it is underdeveloped for it to be utilized in a meaningful way. In our comments we provide recommendations on how to improve the framework, and we make an appeal for it to be further developed through an expanded stakeholder process. Our recommendations are centered on supporting ERCOT’s proposed “Strategic Objectives” by providing better internal education for employees on advanced energy technologies, improvements to the ERCOT web portal, slight modification and improvement of the Strategic Objectives, and a detailed request for ERCOT to clarify how the framework will be applied to the ERCOT market and what consequences those evaluations will have.

ERCOT Should Seek Innovative Ways to Support the Strategic Objectives

TAEBA supports ERCOT’s strategic objectives for the Market Framework. TAEBA has been consistent in the view that an open market that supports competition is the best marketplace for Texas consumers, energy resource availability in Texas, and fostering technology innovation. ERCOT’s strategic objectives seem to broadly align with this perspective and present a good basis for ERCOT to evaluate and improve market structures.

While TAEBA agrees with the strategic directives, we also have some specific feedback on how ERCOT can more effectively meet those strategic directives.

In support of ERCOT’s third listed strategic objective (“Advance ERCOT, Inc. as an independent industry expert”),¹ TAEBA recommends ramping up internal education efforts to keep pace with the accelerating rate of technology change and normal staff turnover. ERCOT has been a leader in integration of new technologies and nimble evolution of markets and planning to keep pace with changes in system needs and available solutions. Maintaining this leadership is critical and will be even more challenging in the context of quickly growing load and even faster technology innovation that is resulting in new technologies becoming commercially viable and advances in the capabilities of existing advanced energy technologies. At the same time, both ERCOT and the Public Utilities Commission of Texas (“PUCT”) are not immune to the high staff turnover across the energy industry. These factors can sometimes lead to technology knowledge gaps among remaining or newly hired staff. For example, some TAEBA members have observed an increased need to repeat educational meetings with the organizations. When decision makers or staff experience knowledge gaps of rapidly evolving energy technologies, and this condition risks causing policy incongruencies and inefficiencies. TAEBA recommends that ERCOT and the PUCT double down on internal training efforts and work with industry experts to ensure that all staff—especially new hires—are kept abreast of the latest technology and business model innovations. TAEBA and our members look forward to learning more about the training ERCOT is already investing in, and stand ready to support even greater investment in these efforts.

Market participants are similarly faced with the challenge of keeping up with rapidly evolving market structures and technologies. ERCOT will be most successful in meeting the Strategic Objectives if it also develops creative management solutions for the marketplace and innovative ways to support market participants to be effective. Striving to introduce new market innovations and support systems will ensure ERCOT remains an “industry leader for grid reliability,” ensure its “economic competitiveness,” and maintain its position as an “industry expert.”² In particular, TAEBA is supportive of ERCOT’s efforts to create an improved ERCOT Dashboard, proposals for which were presented at the December 12, 2024, Protocol Revision Subcommittee meeting. Focusing the proposal on a user suggestion process for making improvements to the ERCOT Dashboard is an excellent approach to meeting ERCOT’s Strategic Objectives. Information transparency is a key component of a health and competitive marketplace, and TAEBA appreciates a participant-led approach to achieving that transparency.

¹ A Market Design Framework to Meet ERCOT’s Strategic Objectives, p 3.

² Id.



ERCOT's Use of the Right Tool for Strategic Objectives

TAEBA appreciates ERCOT's goal to neatly align market design tools in terms of what they are supposed to achieve. This is useful in drawing lines between different service classes and their individual purposes. These distinctions between services can better direct the development of new market services and evaluate changes to services in the future based on system need. We agree with ERCOT that a misuse of market tools can lead to an inefficient market with unintended consequences such as high prices.

However, TAEBA encourages ERCOT to consider the balance of efficiency with that of innovation, and to acknowledge that incorporating new technologies and policies is an investment in future pricing and efficiency gains. On occasion, ERCOT is also forced to work within imperfect structures which are still able to be improved to create market benefits. An incredible example of both of those principles is the Aggregate Distributed Energy Resources ("ADER") Pilot Project. ERCOT treats ADERs as aggregated load resources ("ALRs"). Since ERCOT allows ADERs to be net energy off-takers,³ ERCOT enables the aggregation of multiple technologies into one ADER, whether they are load resources, generation or energy storage resources.⁴ This creativity in allowing broad resource participation in the pilot program will enable ERCOT to better incorporate ADERs in the future, potentially ushering in a variety of alternative dispatch and pricing schemes.⁵ TAEBA commends ERCOT's efforts to get the program off the ground and hopes to work with ERCOT to find similarly creative solutions that serve as investments in the health of the grid and the ERCOT marketplace.

TAEBA Recommends Modifications to the Market Evaluation Framework and Attributes

³ Aggregate Distributed Energy Resource Pilot Project Governing Document Phase 2, p 5.
<https://www.ercot.com/mktrules/pilots/ader>

⁴ Aggregate Distributed Energy Resource Pilot Project Governing Document Phase 2, p 3.
<https://www.ercot.com/mktrules/pilots/ader>

⁵ Aggregate Distributed Energy Resource Pilot Project Governing Document Phase 2, p 5.
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ERCOT's list of market attributes to support reliability and affordability is a good starting point, but perhaps not comprehensive. TAEBA finds that affordability is not as explicitly supported by the current attributes list as reliability, and we recommend that ERCOT include more attributes that support affordability. Specially, TAEBA suggests adding the attributes "Competitiveness" and "Technology Open" to support ERCOT's mission for market affordability by showing a commitment to a competitive marketplace.

TAEBA also notes that fostering a market which is forecastable should be considered a necessary component of ERCOT's proposed "Dependability" attribute.⁶ If market participants are unable to appropriately forecast the ERCOT market, then inefficiencies will occur because of participant misjudgments. This includes the introduction of well-developed and long-negotiated ERCOT services. Although decision makers seem to be indicating the era of introducing new market mechanisms to ensure reliability is closing, the possibility for new market mechanisms to be introduced through legislation always exists. TEABA has appreciated the ability of ERCOT staff to be flexible in their evaluation of how to construct new market services, sometimes under constrained legislative requirements. This is particularly true of ERCOT working to include energy storage resources as eligible providers of the Dispatchable Reliability Reserve Service.

ERCOT also needs to be comprehensive when thinking through implementation or modification of market products or mechanisms to ensure the full suite of market services continues to meet the attributes mentioned. The services that make up the ERCOT market are not siloed and frequently interact with one another. A prime example of this is the interaction between the ERCOT Contingency Reserve Service ("ECRS") and Reliability Must-run ("RMR") deployments which lead to artificially high prices in the market.⁵ Real-time co-optimization ("RTC") will support many of these attributes by allowing different AS to be more interchangeable, but RTC scheduling should be open to future modifications to maintain system flexibility and efficiency. It may be appropriate for ERCOT to introduce a bi-annual "Market Design Framework" report which studies how individual market services are adhering to the attributes outlined above and which describes the interactions of these services to ensure tradeoff market attributes, such as "Efficiency" and "Resiliency," are not falling out of balance.

⁶ A Market Design Framework to Meet ERCOT's Strategic Objectives, p 5.



General Recommendations for Market Framework as a Tool

TAEBA wants to make clear that ERCOT and its stakeholders should regard this stakeholder process as the beginning of a discussion to develop a framework. This stakeholder process is addressing a version of the framework that is high level, and the framework in its current form is far from comprehensive. Most importantly, TAEBA recommends that ERCOT add more detail on how the attributes of the framework will be measured, how they will be applied in future market evaluations, and what measures will be taken if market services fail to meet the attributes of the market framework, individually and/or collectively. Actionable requirements for services in the ERCOT market is the most important exploration of this process, and this has not yet been addressed. ERCOT must endeavor to determine a process for establishing violations of the framework and what the resolution process will be. TAEBA also encourages ERCOT to provide further opportunities for stakeholder input as these additional structures are developed.

