PROJECT NO. 52373

REVIEW OF WHOLESALE MARKET DESIGN	**§ § § §**	**PUBLIC UTILITY COMMISSION OF TEXAS**

RENEWABLE ENERGY BUYERS ALLIANCE COMMENTS

The Renewable Energy Buyers' Alliance ("REBA") files the following comments to the Public Utility Commission of Texas ("Commission"). The deadline for filing comments is November 1, 2021; therefore, these comments are timely filed.

I. OVERVIEW OF REBA

REBA is a national association for large-scale energy customers seeking to procure renewable energy across the U.S. REBA has more than 270 members from across the commercial and industrial sectors, nonprofit organizations, as well as energy providers and service providers.[1] REBA's members, including 77 Fortune 500 companies, represent over $6 trillion in annual U.S. revenues and over 14 million U.S. employees, including many companies already invested in Texas and companies considering new investment in Texas. Many REBA members have made renewable commitments and also have significant operations in Texas.

REBA is working to ensure energy customers can lead a rapid transition to a cleaner, prosperous, zero-carbon energy future. Members of REBA have been involved in 95 percent of the 42 gigawatts ("GW") of large-scale U.S. corporate renewable energy transaction to date, including over 12 GW of new utility-scale wind and solar contracted for by REBA members in ERCOT to date. In 2020 alone, publicly announced contracted capacity from corporate power

[1] Attachment 1 provides more detail on REBA's membership.

purchase agreements, green power purchases, green tariffs, and project ownership in the United States totaled approximately 10.6 GW.

II. COMMENTS

REBA recognizes the need to address reliability concerns and to learn from the outages caused by Winter Storm Uri, but notes two fundamental concerns with the path suggested by the October 26 questions and the discussion to date.

First, REBA opposes proposals that would compel electricity customers in ERCOT to procure electricity from particular fuel sources, especially mandates to buy from carbon-emitting sources. REBA's members are setting ambitious sustainability and clean energy commitments that require them to power their operations with clean energy. Increasingly, REBA members are looking to ensure those clean and renewable energy sources are time- and location-matched to where their consumption is sited. REBA encourages the Commission to focus not on fuel-source, but instead on the contribution that a product delivers to the grid. Especially as new technologies quickly emerge and as new forms of carbon emission limitations seem likely, a narrow focus on fossil fuels in power plants easily could become antiquated in the near future.

Second, REBA encourages the Commission to more concretely identify the reliability challenges that the proposed solutions are intended to address before adopting any solution. For example, the concepts listed in the October 26 questions in this Project would not have made a material reliability improvement during Winter Storm Uri had they been adopted. The single biggest impediment to power generation during Uri related to the production and delivery of natural gas. The participation of renewable generation on the grid did not impair reliability during Uri. In fact, renewable generation produced more electricity than was forecasted and was immune

to the fuel transportation problems that thwarted generation at many gas-fired plants across the State. There appears to be an underlying assumption that non-dispatchable generation adversely affects reliability and that dispatchable generation regardless of ramp rates or other operational limitations does not. However, the issue has not yet been adequately vetted. Similarly, the discussion of demand response as a reliability tool has not fully vetted, though REBA is pleased to see efforts to increase use of Emergency Response Service ("ERS"). Consequently, policies based on the assumptions about the reliability of thermal plants versus other resources are at best premature.

REBA recognizes and supports that the Commission should seek reliability improvements beyond those that would have mitigated the effects of the Uri blackout, but those specific goals have not yet been well enumerated. For example, it makes little sense to discuss imposing a LSE Obligation (see Oct. 26 questions 4-11) without clearly identifying what the LSE might be procuring through the LSE Obligation and why. A more systemic approach would: (1) identify the reliability problem(s) to be addressed, (2) identify potential solutions, (3) perform a cost-benefit analysis of those potential solutions,[2] and (4) ultimately adopt the solutions that pass a cost-benefit test.

Many REBA members have been attracted to Texas over the years, in part, because of the reasonable regulatory environment, endorsement of free market principles, and the resulting proliferation of well-priced renewable electricity options in ERCOT. The proposed LSE

[2] As Commissioner McAdams noted at the Commission's October 28 Open Meeting, ERCOT already uses cost-benefit tests for transmission projects and should do the same in assessing whether to pursue Dynamic Line Rating technologies to transmission. Just as a cost-benefit analysis is appropriate for transmission investments, it is similarly valuable in assessing whether imposing new generation costs under the theory of improved reliability are appropriate as well.

Obligations and incentives for carbon-emitting generation run counter to Texas' historic emphasis on market principles. It also conflicts with the renewable energy commitments of many REBA members, making Texas a less desirable state for investment. New renewables are necessary for REBA members with location specific renewable/carbon-free goals to site new facilities, such as data centers, distribution centers, and retail stores in the State. The economic implications of the policy considerations in this Project reach far beyond the ERCOT grid and affect the economic strength of Texas generally. Texas has always offered a strong business environment for REBA members, but sustainability goals are corporate priorities and are criteria for locational investment decisions.

REBA offers the following comments to selected questions from the Commission Staff's October 26 filing. As requested in the Commission Staff's October 26 filing, REBA's executive summary of its comments is attached as Attachment 2.

3. Should ERCOT develop a discrete fuel-specific reliability product for winter? If so, please describe the attributes of such a product, including procurement and verification processes.

a. How long would it take to develop such a product?

b. Could a similar fuel-based capability be captured by modifying existing ancillary services in the ERCOT market?

No. A fuel-specific reliability product for the winter cannot be justified given current information. Last winter's events highlight the fact that gas-fired generation should not be assumed to be more reliable, especially in cold weather events. Approximately 25 GW of the lost generating capacity in ERCOT during Uri related to the failure to generate as gas-fired plants. This represents about 50% of the capacity shortfall.[3] As noted above in the discussion of Winter

[3] *See* Figure 2.o, *The Timeline and Events of the February 2021 Texas Electric Grid Blackouts*, University of Texas Energy Institute, July 2021, available at

Storm Uri and by the Commission in the context of its coordination with the Railroad Commission, reliable delivery of natural gas to power plants cannot be considered a foregone conclusion. In fact, during Uri, operating renewable facilities proved more reliable than gas-fired facilities.

Adoption of a fuel-specific reliability product for this winter would be premature, if it is appropriate at all. Arguably, onsite gas storage at a power plant should help make generation from that power plant more reliable. However, the addition of storage facilities takes time, typically several years. New storage cannot be built in time for this winter.

Likewise, when considering a firming requirement, existing generation, including any qualifying renewable generation, currently is almost entirely contracted to provide existing products in the ERCOT market. Asking resources to simultaneously supply contracted energy and to provide a new reliability product obviously is unworkable. Even in the longer term, the reliability product necessarily will reduce supply from the wholesale energy market. In light of this practical limitation and the recent evidence that gas transportation in the winter, even with firm transportation contracts, can be uncertain and not consistent with a "reliability product."

If the Commission ultimately elects to adopt a "reliability product," REBA urges that the Commission be technology-neutral in the definition of that product. Storage technologies are evolving rapidly and should not be excluded from participating as reliability products. Storage combined with renewable generation likely will be a more desirable product for REBA's members. Further, as technologies improve, more cost-effective reliability tools will evolve. An unnecessarily narrow criteria for a reliability product could discourage use of more cost-effective options and therefore could unnecessarily increase costs to Texas consumers.

https://www.puc.texas.gov/agency/resources/reports/UTAustin_(2021)_EventsFebruary2021TexasBlackout_(002)FINAL_07_12_21.pdf

7. How should an LSE Obligation be accurately and fairly determined for each LSE? What is the appropriate segment of time for each obligation? (Months? Weeks? 24 hour operating day? 12 hour segments? Hourly?)

If the Commission elects to impose a new LSE Obligation, then cost allocation associated with that Obligation should be based in cost-causation principles. In much the same way as the Commission assigns transmission charges based on coincident peak in demand, any LSE Obligation should be assigned such that a LSE that represents loads that ramp down consumption in periods where unexpected drops generation production occur should not be allocated the same Obligation as a LSE with peak demand coincident with the periods with unexpected reductions in generation. The cost-causation nexus in this design is self-evident, but it also serves as a form of demand response incentive. Real-time energy prices will increase in periods where generation suddenly drops or demand suddenly increases; and thus, where a firming product might be triggered. Consequently, LSEs will see price signals to promote conservation with or without the LSE Obligation.

8. Can the reliability needs of the system be effectively determined with an LSE Obligation? How should objective standards around the value of the reliability-providing assets be set on an on-going basis?

a. Are there methods of accreditation that can be implemented less administrative burden or need for oversight, while still allowing for all resources to be properly accredited?

b. How can winter weather standards be integrated into the accreditation system?

No. Reliability need is an engineering concept, where the LSE Obligation is an economic burden. As such, the LSE Obligation cannot determine the engineering needs of the grid; it merely transfers moneys after a triggering event. The concepts of generation winter weather standards and resource accreditation cannot fall upon the LSE because an LSE may not own generation per PURA and Commission Rules. Instead, LSEs are well-positioned to work with loads to promote

demand response. As noted by Commission Staff's Question 11, dispatchable reductions in load can provide reliability just as dispatchable generation might. However, none of the October 26 questions seem to contemplate incentives for demand response akin to the ones contemplated for selected power plants in Question 10.

The Commission should clearly identify specific reliability capabilities that are delivered to the grid instead of worrying about accrediting a specific location or weatherization. The underlying practices and tools for producing the reliability product need not be regulated by the Commission because the success in delivering the reliability product, by whatever means, is what matters.

10. How will an LSE Obligation incent investment in existing and new dispatchable generation?

The goal of a LSE Obligation should not be couched as related to incentivizing existing and new dispatchable generation that the market would not otherwise support. Instead, the LSE Obligation, consistent with the need to be technology-neutral, should be focused on promoting the reliability of the ERCOT grid. Propping up an aged coal plant is not necessarily consistent with the promotion of reliability.

The LSE Obligation also cannot control many material factors that contribute to the decision to invest in dispatchable generation. For example, a LSE Obligation cannot control the high price of natural gas and the resulting production costs from a gas-fired plant. Similarly, a LSE Obligation cannot affect the significant challenges that a coal or gas-fired plant would encounter in acquiring air permits to build a plant near ERCOT's largest loads. Dallas-Ft. Worth, Houston, and San Antonio are all in non-attainment areas for air quality. At the very least, these air issues could delay the construction of carbon-emitting dispatchable generation or could lead

them to be built in locations far from load causing added congestion and system stability challenges. These issues and the lack of clarity regarding the ability of a LSE Obligation to promote the desired goal illustrate that the analysis of reliability and resource planning issues in ERCOT remains incomplete and that any potential imposition of a LSE Obligation is premature.

11. How will an LSE Obligation help ERCOT ensure operational reliability in the real-time market (e.g., during cold weather events or periods of time with higher than expected electricity demand and/or lower than expected generation output of all types)?

Given the real-time nature of the unforecasted increases in demand or unforecasted drops in generation implicit in this question and the fact that a LSE does not own generation, the only tools that a LSE can bring to promote operational reliability are conservation and demand response. To the extent that a LSE Obligation is assigned to demand that occur during the events identified in this question 11, then it could provide a price signal to conserve or curtail. However, especially for load customers who can still enter contracts with real-time energy pricing and to a lesser degree customers on time-of-use rates, basic electricity pricing already provides price signals to conserve when resource availability is tight.

To the extent that the LSE Obligation is intended to create a financial transfer from load to "dispatchable" generation for availability, then that dispatchable generation should have been deployed when the unforecasted increase in demand/unforecasted drop in generation occurred, in which case the scarcity event contemplated in the question should not occur. However, as evidenced by the problems with capacity markets across the United States, requiring payments to "dispatchable" generation on reliability grounds does not necessarily translate into a more reliable system.

Recent history has not shown regulatory and legislative efforts to incentivize dispatchable generation to work well. PJM's Minimum Offer Price Rule sought to undo state incentives for renewable generation in the market's bid stacks and that policy is being pared back because of the problems it created. (See FERC Docket No. ER21-2582). More extreme, previous efforts to prop up uneconomic nuclear units in Ohio have failed and led to various criminal convictions.[4] REBA is not aware of a recent state regulatory body or regional transmission organization that has successfully created a policy to promote development of new dispatchable generation as contemplated in the October 26 questions.

III. CONCLUSION

For the foregoing reasons, REBA appreciates the opportunity to provide comments and asks that the Commission consider REBA's comments and adopt the recommendations herein.

Dated: November 1, 2021

Respectfully submitted,

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[4] FirstEnergy Corp. agreed to pay a $230 million fine for its role in a bribery scheme to get legislation passed that included a $1 billion bailout for two of its power plants in Ohio.

ATTACHMENT 1

REBA
Renewable Energy Buyers Alliance

About >

REBA Members

The following is a sampling of the 270+ companies participating as REBA members – which includes 77 companies on the Fortune 500 list. Our community is comprised of three member types – Large Energy Buyers, Energy Providers, and Service Providers – that collaborate to navigate the complexities of the energy market. The REBA community leverages peer-to-peer expertise and knowledge share, policy and regulatory advocacy, and foundational educational resources to accelerate renewable energy procurement. In 2020, at least one REBA member was involved in 97% of the publicly announced renewable energy transactions within the U.S. showcasing a commitment to renewables as one of the most significant paths to a zero-carbon future. Curious how REBA's community of leaders is moving the market forward? Reach out to our Membership Team to learn more.

Buyers

Energy Providers

Service Providers

ATTACHMENT 2

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EXECUTIVE SUMMARY OF RENEWABLE ENERGY BUYERS ALLIANCE COMMENTS

The Renewable Energy Buyers Alliance ("REBA") encourages the Commission to take a more deliberate and methodical approach to ERCOT wholesale market design than the questions filed on October 26 would imply. A more systemic approach would: (1) identify the reliability problem(s) to be addressed, (2) identify potential solutions, (3) perform a cost-benefit analysis of those potential solutions, and (4) ultimately adopt the solutions that pass a cost-benefit test.

REBA encourages the Commission to more concretely identify the reliability challenges that the proposed solutions are intended to address before adopting any solution. For example, the concepts listed in the October 26 questions in this Project would not have made a material reliability improvement during Winter Storm Uri had they been adopted. The single biggest impediment to power generation during Uri related to the production and delivery of natural gas. The participation of renewable generation on the grid did not impair reliability during Uri. In fact, renewable generation produced more electricity than was forecasted and was immune to the fuel transportation problems that thwarted generation at many gas-fired plants across the State. There appears to be an underlying assumption that non-dispatchable generation adversely affects reliability and that dispatchable generation regardless of ramp rates or other operational limitations does not. However, the issue has not yet been adequately vetted. Similarly, the discussion of

demand response as a reliability tool has not fully vetted, though REBA is pleased to see efforts to increase use of Emergency Response Service ("ERS"). Consequently, policies based on the assumptions about the reliability of thermal plants versus other resources are at best premature.

REBA opposes proposals that would compel electricity customers in ERCOT to procure electricity from particular fuel sources, especially mandates to buy from carbon-emitting sources. REBA encourages the Commission to focus not on fuel-source, but instead on the contribution that a product delivers to the grid. Especially as new technologies quickly emerge and as new forms of carbon emission limitations seem likely, a narrow focus on fossil fuels in power plants easily could become antiquated in the near future.

Many of the ERCOT loads represented by REBA could help promote reliability through demand response. Demand response can be implemented more quickly than new gas-fired power plants can be built and likely will be more cost-effective while achieving the same reliability goal as the Commission has contemplated coming from carbon-emitting power plants.