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Received - 2021-09-30 01:15:02 PM

Control Number - 52373

ItemNumber - 139

PROJECT NO. 52373

**REVIEW OF WHOLESALE ELECTRIC
MARKET DESIGN**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**HUNT ENERGY NETWORK, L.L.C.'S MARKET DESIGN RECOMMENATIONS IN
RESPONSE TO COMMISSIONER GUIDANCE 3 FILED ON SEPTEMBER 20, 2021**

Hunt Energy Network, L.L.C. (HEN) submits this Summary of Market Design Recommendations in response to the Public Utility Commission of Texas ("PUCT" or "Commission") Commissioner Guidance 3 filed on September 20, 2021. The Guidance requests that all proposals be filed by September 30, 2021, and include a bulleted, clearly-marked Executive Summary as a separate attachment (i.e., the last page of the filing). These recommendations, therefore, are timely filed and comply with the memo's instructions.

MARKET DESIGN RECOMMENDATIONS

I. HEN recommends standardizing the distribution generation resource (DGR) interconnection process.

- A. Develop a Standard DGR Interconnection Agreement (e.g., insurance requirements, feeder configuration, cost transparency and detailed delineation).
- B. Standardize study process and timelines across TDSPs—like transmission.
- C. Provide clear guidance on non-discriminatory cost recovery including collateralization and recovery of appropriate costs through TDSP rates, consistent with policies for transmission level resources.
 - These changes can be implemented by changes to 16 Tex. Admin. Code §§ 25.191, .192, and .198.

II. HEN recommends refining ancillary services (AS) products to allow targeted procurement and optimal assignment of resources to provide key attributes depending on system conditions.¹

- A. Use Non-Spinning Reserve (Non-Spin)—with corresponding modifications to the Operating Reserve Demand Curve (ORDC)²—as the mechanism to ensure adequacy of dispatchable resources (i.e., a Capacity / High-Availability AS).
 - 1. Continue ERCOT's current methodology of procuring Non-Spin to reflect a more conservative approach of ensuring reliability. Procurement levels would increase, perhaps substantially, for winter

¹ See Hunt Energy Network, L.L.C.'s Response to Commission Staff's Request for Comment on Market Design Questions, Project No. 52373 (Aug. 16, 2021) ("HEN Aug. 16 Comments") at 6-8.

² See *infra* Recommendation III.

and summer peak conditions.

2. Allow Load Resources and ESRs to provide Non-Spin.³
 3. Maintain the link between AS eligibility and the procurement interval (e.g., proposed NPRR1096 would require a Non-Spin / ERCOT Contingency Reserve Service (ECRS) resource to have a minimum six-hour duration even though Non-Spin is a one-hour service).⁴
 - This unnecessarily long duration for Non-Spin discriminates against smaller ESRs.
- B. Separate and optimize the use of AS intended to address Frequency versus those intended to augment Capacity.
1. Use Responsive Reserve Service (RRS) for frequency response only (i.e., do not release RRS to Security-Constrained Economic Dispatch (SCED) to provide additional energy).
 2. Procure fast frequency response (FFR) service as a subset of RRS, separate from slower-responding Load Resources also providing RRS.⁵
 - To allow for more than 450 MW of FFR procurement, consider various frequency triggers to stagger deployment of FFR to address overshoot (overcorrection) issues that may occur when these reserves are deployed.
 3. Procure at least 2,800 MW of RRS at all times, an extension of ERCOT's current practice for peak hours.
 - Extension of this recent increase by ERCOT will ensure enough Physical Responsive Capability (PRC) to arrest frequency in situations where there is a sudden loss of a substantial amount of generation (i.e., the two largest units in ERCOT).

III. In conjunction with AS changes discussed above, HEN recommends revisions to the ORDC to improve price signals and incentivize investment in dispatchable resources.⁶

- A. Change the minimum contingency level (MCL) used to calculate the ORDC (i.e., the value of "X") from 2,000 MW to 3,000 MW to reflect the reliability value and need for at least 2,800 MW of RRS and 200 MW of RUS, as recently

³ Nodal Protocol Revision Request (NPRR) 1093, currently under consideration by ERCOT, would allow participation in Non-Spin by Load Resources; however, new proposed NPRR1096 would limit participation by Resources (including ESRs) to those participants that are capable of providing sustained capacity for six consecutive hours.

⁴ *Id.*

⁵ HEN Aug. 16 Comments at 8. A portion of this recommendation has been approved as part of NPRR863.

⁶ See HEN Aug. 16 Comments at 4-5.

increased by ERCOT.⁷

- B. Elongate the ORDC (i.e., increase the standard deviation) to be consistent with ERCOT's current levels of AS procurement (of up to 8,000 MW).⁸
 - ORDC currently reflects almost no value for reserves beyond 6,000 MW whereas ERCOT's procurement of about 8,000 MW of reserves reflects significant reliability value from 6,000 MW to 8,000 MW. Without this change, the market has no price signal to invest in or commit dispatchable resources.
 - HEN's recommended refinements to AS products along with appropriate modifications to the ORDC would ensure a capacity payment to all dispatchable resources and thereby improve the availability of market-based dispatchable resources.
 - These changes also would support a reduction of the high system-wide offer cap (HCAP), should the Commission decide that lowering the HCAP to \$4,500/MWh is appropriate.⁹

IV. HEN recommends removing barriers that limit participation by ESRs and Load Resources.¹⁰

- A. Remove non-technical barriers to greater ESR and Load Resource participation in RRS.
 - 1. Remove artificial 60-percent limit on Non-Controllable Load Resources (NCLR) participation in RRS to reduce proration of NCLR.¹¹
 - 2. Allow all technologies to use ON Synchronous Condenser (ONSC) status as a means of providing RRS.
 - This procurement is currently limited to slower-responding hydroelectric resources even though ESRs are also capable of providing RRS using ONSC status.
 - These non-technical policies and barriers can be immediately changed with directives from the Commission.
- B. Consider increasing RRS by 1,400 MW to provide essential 10-minute reserves on an interim basis until ECRS is implemented (after the year

⁷ See *supra* Recommendation II.B.3.

⁸ HEN Aug. 16 Comments at 5.

⁹ See Hunt Energy Network, L.L.C.'s Response to Commission Staff's Request for Comments on the High System-Wide Offer Cap, Project No. 52631 (Sep. 30, 2021).

¹⁰ See HEN Aug. 16 Comments at 9; Hunt Energy Network, L.L.C.'s Response to Commission Staff's Request for Comment on September 2, 2021 Questions Concerning Demand Response, Project No. 52373 (Sep. 9, 2021) ("HEN Sep. 9 Comments").

¹¹ See *supra* Recommendation II.B.2.

2025).¹²

- In addition to the 2,800 MW described in Recommendation II.B.3 above, ERCOT could plan to procure about 1,400 MW of RRS until ECRS is implemented, which will result in a similar quantity of additional 10-minute reserves (like RRS). This additional RRS procurement likely will reduce ERCOT's current Non-Spin procurement by a similar amount.
- C. Allow for aggregation of Distributed Energy Resources (DERs), controllable loads (e.g., Demand Response (DR)), and Behind-the-Meter (BTM) resources.
- D. Tailor telemetry and security requirements to facilitate integration of BTM resources.
- E. Allow BTM resources to participate in AS.
 - Current limitation on these resources is due only to legacy treatment of such resources and not any significant technical issues. A straightforward policy directive instructing ERCOT to allow BTM resources to participate in AS at their full capability would immediately unleash a large supply of much needed dispatchable resources providing essential reliability services.
- F. Increase participation of Emergency Response Service (ERS) by increasing the \$50 million ERS budget.
- G. Consider realigning incentives such that Load can receive nodal rather than zonal pricing.

V. HEN recommends improving TDSP meter capabilities and better utilizing the data.

- A. Update communications capability for surgical load shed events.
- B. Develop rotating outage program/plans, leveraging increased metering/communications capabilities.
- C. Adjust ERCOT metering requirements, allowing interval data recorder (IDR) meters to function as virtual ERCOT-Polled Settlement (EPS) meters/gateways for DR/BTM resources.
 - The changes will improve the management of the distribution circuits (for critical load protection and other reasons).

VI. HEN recommends transitioning away from a 4 Coincident Peak (CP) approach to allocating costs imposed on the transmission system and considering a longer duration measurement interval.

- 12CP better recognizes changing nature and uses of electrical system today; ERCOT is now a winter and summer peaking system.

¹² HEN Aug. 16 Comments at 8.

- 12CP improves reliability by improving market participation.
 1. Reduces risk of cost-shifting through discretionary load reductions during typical 4CP.
 2. Encourages load reductions during shoulder months, allowing for timely generator maintenance.
 3. Encourages load reductions and energy efficiency throughout the year.
- 12 Coincident Net Peak would also account for intermittent renewable resource (IRR) variability.


VII. HEN recommends development and implementation of more reliable black-start capabilities.

- A. Consider setting parameters (e.g., response time, duration, fuel sources) based on desired resource characteristic to incentivize more immediately responsive resources to expedite the time it would take to restart the grid in case of failure.
 1. Incentivize investment in secure-fuel resources (dual fuel capability, firm fuel contracts, natural gas (NG)/ESRs).
 2. Incentivize investment in gas-firming resources (pairing IRRs with ESRs).
- B. To the extent not addressed in Recommendation VII.A above, consider modifying black-start eligibility requirements to *require* secure-fuel or gas-firming resources.
- C. Expand black-start service to ensure sufficient resources with more resilient capabilities.
- D. In addition to expanding Direct Current (DC) ties to adjacent grids, arrange for several emergency AC interconnections with the Eastern Interconnect to assist black start.
 - FERC can order interconnections under Federal Power Act (FPA) §§ 210/211 without jeopardizing jurisdictional boundaries.

CONCLUSION

HEN appreciates the Commission's consideration of these Market Design Recommendations and looks forward to further discussions with the Commission, Commission Staff, and stakeholders to develop effective and practical solutions to enhance system resiliency by incentivizing reliable, affordable, clean energy and holding market participants accountable as they strive to deliver Commission-directed outcomes.

Respectfully submitted,



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September 30, 2021

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**EXECUTIVE SUMMARY OF
HUNT ENERGY NETWORK, L.L.C.'S MARKET DESIGN RECOMMENDATIONS**

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- HEN recommends standardizing the distribution generation resource (DGR) interconnection process.
- HEN recommends refining ancillary services (AS) products to allow targeted procurement and optimal assignment of resources to provide key attributes depending on system conditions.
- In conjunction with AS changes discussed above, HEN recommends revisions to the ORDC to improve price signals and incentivize investment in dispatchable resources.
- HEN recommends removing barriers that limit participation by ESRs and Load Resources.
- HEN recommends improving TDSP meter capabilities and better utilizing the data.
- HEN recommends transitioning away from a 4 Coincident Peak (CP) approach to allocating costs imposed on the transmission system and considering a longer duration measurement interval.
- HEN recommends development and implementation of more reliable black-start capabilities.