

Cheryl Mele Sr. Vice President and Chief Operating Officer ERCOT

“Powering America: A Review of the Operation and Effectiveness of the Nation’s Wholesale Electricity Markets”.

Energy and Commerce Subcommittee on Energy

Additional Questions for the Record - September 13, 2017

The Honorable Fred Upton

- 1. At our July 18, 2017, Energy Subcommittee hearing, Calpine submitted testimony stating that while the Texas’ market is working well, some improvements are needed. Interestingly, Calpine state that while Texas currently has an energy-only market, it was confident that this decision will be revisited to consider a capacity market. Will you be considering establishing a capacity market in the future?
 - a. If not, why?****

In 2014 the Public Utility Commission of Texas (PUC) opted to maintain an energy-only structure with an operational demand curve, which adjusts real-time energy prices in response to scarcity conditions. Currently, no project is open or legislation being discussed at the state level pertaining to a capacity market.

- b. The Texas PUC recently opened a proceeding to examine improvements to your energy market structure. What do you expect to come of this review?**

ERCOT is active in this proceeding in evaluating adjustments to the operating reserve demand curve as well as conducting cost and time estimates to implement real-time co-optimization and marginal losses, as requested by the PUC. The commission has held one workshop, and another is planned for October 13.

The Honorable John Shimkus

- 1. If, as we learned at the hearing, markets were structured to build only the least expensive generation, we would build nothing but natural gas plants right now.
 - a. Is that correct? Is that what’s happening?****

While natural gas plays a key role in our fuel mix, we are seeing other low- or no-fuel cost resources being built in ERCOT. In 2016, our installed capacity was 52 percent natural gas, 22 percent coal, 20 percent wind and 6 percent nuclear. We currently have about 15,000 MW of natural gas, 28,000 MW of wind and 23,000 MW of utility-scale solar under study in our interconnection queue.

The Honorable Billy Long

- 1. RTO development began in late 1999 with ISO development soon to follow. Both organizations help to monitor our electric power system. There are still a number of gaps in our electric system where problems could occur. What are your thoughts about the creating of another RTO that could include the states of Nevada, Arizona, Colorado, and other western states? Should it be an RTO or an ISO?**

We believe both ERCOT and Texas benefit from our current structure. We view the decisions for other areas of the US to be the purview of local regulators and elected officials.

- 2. How are you planning to manage the growing surplus of generation in your respective regions?**

Our most recent Capacity, Demand and Reserves report shows that planning reserve margins are healthy, and we continue to see load growth in our region. Over the last several years, there has been significant discussion about the possibility of generation retirements for various reasons, and we continue to monitor that issue.

The Honorable Frank Pallone Jr.

- 1. Consumer Advocates have identified the resource imbalance between the stakeholder members of RTO/ISO Boards and the small consumer community as a major barrier to having meaningful representation of consumer viewpoints included in decisions about grid operation and capital project evaluation and approvals. What mechanisms, reductions in cost of stakeholder participation, or other support does your RTO/ISO provide to the small consumer community to facilitate their participation in RTO/ISO governance?**

Consumer viewpoints are represented at ERCOT in a variety of ways. We endeavored to answer all of the follow up questions in one place.

By Texas statute, small commercial and residential consumers have a seat on the ERCOT board. That role is carried out by the Public Utility Counsel, who is a voting ex-officio member. The Office of the Public Utility Counsel (OPUC) is a state agency created in 1983 and is funded through the Texas appropriations process. Staff from OPUC participates in ERCOT stakeholder meetings at many levels.

Also by statute, the Chairman of the Public Utility Commission of Texas is an ex-officio member of our board. The ERCOT board chairman is joined by four other members who are unaffiliated with any interest or market segment on the ERCOT board. Large commercial and industrial consumers also each have a seat on the board representing their consumer segments.

Consumer advocacy groups have joined ERCOT in the small commercial membership segment. They participate actively at the stakeholder committee and task force level.

ERCOT executive leadership and staff provide information to, and receive feedback from, the entire stakeholder community and maintain lines of communication with consumers, both within their market segments and also with consumer advocacy groups.

ERCOT board and stakeholder meetings are open to the public, and most have a WebEx option online for anyone who cannot attend in person. ERCOT board meetings, board committee meetings and Technical Advisory Committee meetings are broadcast and archived on the Internet and are available for anyone to access free of cost.

- 2. You indicated at the hearing that ERCOT had a formal structure (e.g. committee or liaison position) for obtaining input on consumer views and concerns on grid management. Please provide detail about how consumer views are incorporated into decision making at your RTO/ISO.**
 - a. Do consumer advocates have voting representation on the Board?**

Yes.
 - b. Do consumer advocates participate actively in the development and approval of grid planning?**

Yes.
 - c. Are there funds available to support full-time staff that serve the interests of consumer advocates? If so, what is the source of those funds?**

Yes. As mentioned above, the Office of the Public Utility Counsel is funded by the Texas appropriations process.