

PROJECT NO. 46369 RECEIVED

RULEMAKING RELATING TO
RELIABILITY MUST-RUN SERVICE

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PUBLIC UTILITY COMMISSION
OF TEXAS
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FILINGS CLERK

**INITIAL COMMENTS OF
ENVIRONMENTAL DEFENSE FUND, INC.**

COMES NOW, Environmental Defense Fund, Inc. (EDF) and files these initial comments in response to the request for comments and draft Strawman proposal filed by the Staff of the Public Utility Commission of Texas (PUCT) on October 10, 2016.

RESPONSES TO QUESTIONS

Should certain categories of resources (*e.g.*, wind generation resources or resources within a private use network that participate in ancillary services or energy markets) be exempt from consideration for RMR services? For resources within a private use network, how does this impact P.U.C. Subst. R. §25.361(f) and PURA §9.151(l)?

EDF recommends that no resource should be categorically excluded from consideration for RMR services. The Electric Reliability Council of Texas (ERCOT) should make a determination regarding each resource, including wind generation resources, solar resources, or other resources, as it is presented with a notice to cease or suspend operation of that generation resource for a period greater than 180 days.

Should all RMR agreements be subject to approval by the Commission or the ERCOT Board of Directors?

EDF recommends that both RMR and proposed alternative agreements should be subject to approval by the ERCOT Board of Directors to ensure appropriate oversight of these arrangements since their out-of-market nature may impact the normal development of new resources within ERCOT.

Assuming there is a reliability need, should ERCOT have the discretion not to enter into an RMR agreement or select any RMR alternative in consideration of the cost

of the RMR service or RMR alternative and the likelihood that such a reliability event will occur?

EDF supports ERCOT having the discretion to balance the costs of a proposed RMR agreement and potential alternative agreements against the potential that an identified reliability event will occur. In the absence of such discretion, ERCOT likely would be constrained in its ability to allow the competitive market to operate without interference, or at least minimal interference.

COMMENTS

1. Notice Period Applicable to the Suspension of Operation of Generation Resources

EDF supports increasing from 90 to 180 days the notice that a generation resource must provide to the Electric Reliability Council of Texas (ERCOT) of its intent to cease or suspend operation for a period of greater than 180 days. This additional notice should provide ERCOT additional time to evaluate whether the resource is required to meet a reliability need.

EDF also supports increasing the notice ERCOT provides to the market that it has received a notification to cease or suspend operations. However, rather than increasing the notification to ERCOT by 90 days and increasing notice to the market by only as much as 30 days, EDF recommends ERCOT provide notice to the market of its receipt of a notification to cease or suspend operations as soon as possible as it currently does. This longer notice will enable all resources to have additional time consider the impact this notice may have on their operations, including the opportunity to be considered as a potential RMR alternative if ERCOT determines that an RMR agreement may be necessary.

2. Evaluation of RMR Service and RMR Alternatives

EDF supports the proposed addition of PUC Subst. R. §25.502(e)(4) that will require ERCOT to develop criteria to consider relative costs and reliability impacts of alternatives to an

agreement with a generation entity to provide RMR service. EDF supports ERCOT having flexibility to consider alternatives to a proposed RMR service agreement. However, while EDF agrees that potential cost savings may be one of the criteria considered, it should not be an exclusive threshold. EDF recommends that consideration of environmental impacts of a proposed alternative compared to the resource that would be subject to the RMR agreement also should be one of the criteria ERCOT includes in its evaluation of potential alternatives.¹

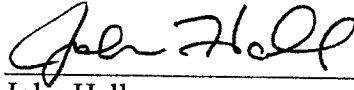
In developing its criteria, EDF supports ERCOT having increased flexibility to consider a wide variety of alternatives to a proposed RMR service agreement, including renewable resources, storage technologies, demand response, energy efficiency, and other alternatives that may effectively address the identified reliability concern. As part of this evaluation, ERCOT also should have the ability to consider whether an alternative that is not equivalent to the RMR service is sufficient to address the identified reliability concern. The flexibility the Strawman proposes would be beneficial to all consumers in ERCOT by allowing ERCOT to identify if a more appropriately sized alternative achieves the solution necessary to address the reliability concern.

¹ EDF recommends that ERCOT eliminate in Protocol Section 3.14.1.5(2)(b) its current requirement that a potential alternative to an RMR agreement must demonstrate that it will provide at least \$1 million in annual savings over the RMR agreement. This requirement is arbitrary, favors the continuation of an existing resource, and disadvantages a resource that might demonstrate some savings, but not this magnitude, but also has demonstrably fewer environmental impacts than the resource subject to the RMR agreement.

CONCLUSION

EDF appreciates the opportunity to provide these comments and looks forward to working with the Commission on these important issues.

Respectfully submitted,



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