



Cyrus Reed, Sierra Club, 512-740-4086, cyrus.reed@sierraclub.org

We Don't Need the "Texas Emergency Power Reserve": Sierra Club is opposed to the Buffet Proposal

The Sierra Club is supportive of HB 3479 as filed by Lucio III but we strongly opposed to the idea of creating a Texas Emergency Power Reserve, which would not be the most cost-effective solution to our electric issues and undermines our competitive market.

During Uri, major issues with ERCOT were revealed, including the lack of communication and coordination, the lack of weatherization of power plants and the natural gas supply chain. In addition, we do believe ERCOT and the PUC should relook at our existing ancillary service market and Emergency Response Services, and consider whether changes are needed.

But creating a guaranteed rate of return and major investment in eight new natural gas plants outside the regular market and ancillary market structure is not the right solution to our challenges. It would create costs to consumers that would be better served through our market structure and picks one type of technology – gas plants – even though other technologies exist to serve our needs.

What Are Ancillary Services?

Ancillary services are the services we need within ERCOT to make sure our system works and to adjust to sudden losses of power or problems with frequency. ERCOT presently has four different services (Regulation Up, Regulation Down, Spinning Reserves (sometimes called Responsive or Frequency Response) and Non-Spinning Reserves (sometimes also called

contingency reserves). These are products that are provided by the market through both a day-ahead market and real-time market. Within these four products, recently ERCOT has added some new categories best served by electric battery storage, including fast frequency response. Some of these products are more immediate -meant to respond within minutes to problems on the grids, while others are longer meant to respond to larger issues over longer periods of time.

Non-Spinning Reserves are the product most equivalent to a power reserve and can include both power plants and loads. They must be available within 30 minutes.

We do believe that it might make sense for PUC and ERCOT to be redirected to look at all of our products, and the amounts to see if adjustments are needed. As an example, in the past Sierra Club has suggested we may need an additional four-hour product that is flexible for those times there may be sudden losses of power or sudden changes in load or variability from renewable resources. We would be happy to provide language to the committee directing the PUC and ERCOT to begin a discussion about this.

What are Emergency Response Services?

ERS are out-of-market tools that ERCOT uses occasionally during an emergency event. They are contracts with back-up generators and large loads which can come off-line to balance supply and demand. In ERCOT we have both 10-minute and 30-minute products. They are only used in emergencies.

While ERS fulfills an important role, we agree that Texas should consider expanding its ERS budget. Currently, under PUC Rules, the annual budget for ERS is capped at \$50 million even though there are many other back-up generators and demand response products.

What about demand response and energy efficiency?

Texas is behind other states with our investments in demand response and energy efficiency. Rather than only focusing on the Supply Side, we should be raising our residential and consumer energy efficiency goals to at least 1 percent (SB 243/HB 4556), and allowing demand response to play a larger

role in our energy markets and in ancillary services. We should also be continuing to allow distributed energy resources to contribute to our supply side options, as several bills would help accomplish.

ERCOT is making strides toward incorporation of storage, demand response and distributed resources through their PASSPORT project and stakeholders are hard at work. ERCOT is also moving toward co-optimization of energy and ancillary markets which should make resources better allocated to keep our lights on.

Requiring a large reserve with one particular technology is the wrong solution for the wrong time.