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COMMISSION PROCEEDING TO
ENSURE RESOURCE ADEQUACY
IN TEXAS

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BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

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**COMMENTS OF THE
STEERING COMMITTEE OF CITIES SERVED BY ONCOR AND
TEXAS COALITION FOR AFFORDABLE POWER**

On April 3, 2013, the Public Utility Commission (“PUC” or “Commission”) sought parties’ answers to four questions relating to the Operating Reserve Demand Curve (“ORDC”) proposal discussed in the white paper filed in this project on March 22, 2013 (the proposal hereinafter referred to as “Solution B+”). The Steering Committee of Cities Served by Oncor and the Texas Coalition for Affordable Power (collectively “Cities”) present their answers to the Commission’s questions below.

1. How long will it take and what is the cost to implement Solution B+?

Cities have not conducted this analysis and have not determined a cost or timeline for implementation of Solution B+ at this time. As such, Cities look to the Electric Reliability Council of Texas (“ERCOT”) for analysis and further discussion of this question.

2. If Solution B+ is implemented, will the benefits of implementing full real-time cooptimization exceed the incremental costs of such implementation?

As Cities noted in their answer to Question 1, Cities have not conducted an analysis as to the cost of implementing full real-time cooptimization. Even so, Cities urge that full real-time cooptimization continue to be considered as part of the solution currently under consideration. By ensuring the most cost-effective selection of resources to provide energy and capacity (through ancillary services), full real-time cooptimization provides a significant efficiency benefit to the market. If the purpose of this project is to ensure that prices in the ERCOT market are high when scarcity suggests that they should be, and as otherwise, low as the efficiency of the system permits, full real-time cooptimization is essential to that goal. Cities note that

implementation of full real-time cooptimization does not appear technically infeasible, as other markets have implemented it, such as the Midwest ISO (“MISO”).

3. **If Solution B+ is implemented, are bidding floors for ancillary services still needed to avoid price reversal? If so, should minimum bids for ancillary services be set according to a curve where minimum bids increase as reserve capacity is depleted, or should the minimum bid be set at a discrete level?**

No; if Solution B+ is implemented, there is no further need for ancillary services bidding floors. Ancillary services bidding floors and Solution B+ are directed at the same problem. However, Solution B+ is more precise, and is “tunable” through modification of its various parameters. The current offer floors represent a rough, imprecise attempt at producing scarcity pricing, in some instances at the relevant offer cap, a level of pricing which the Brattle Group itself suggests should only be seen when the system is at or near the need to shed firm load.

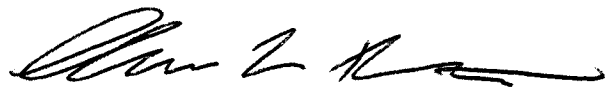
4. **With regard to minimum bids for ancillary services, should different ancillary services (such as on-line non-spin and off-line non-spin) be treated differently?**

As set forth above, implementation of Solution B+ removes any need for bidding floors for ancillary services.

Dated: May 31, 2013.

Respectfully submitted,

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