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PROJECT NO. 40000

COMMISSION PROCEEDING TO
ENSURE RESOURCE ADEQUACY
IN TEXAS

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PUBLIC UTILITY COMMISSION
OF
TEXAS

2013 DEC 23 PM 2:36
PUBLIC UTILITY COMMISSION
112 W. COLLEGE ST. AUSTIN, TX 78701

SOUTH TEXAS ELECTRIC COOPERATIVE INC.'S REPLY
COMMENTS REGARDING CERTAIN COMMENTS FILED ADDRESSING
QUESTIONS BY CHAIRMAN NELSON AND COMMISSIONER ANDERSON

Comes Now South Texas Electric Cooperative, Inc. (STEC) and files its reply comments, regarding filings made by certain parties addressing the questions posed by Chairman Nelson and Commissioner Anderson on November 15, 2013, concerning resource adequacy in Texas. These comments address only certain issues. STEC has filed joint comments with the TRAM Advocates to address other questions. In support thereof, STEC shows as follows:

1. TIEC'S ARGUMENT THAT THE PUC LACKS THE AUTHORITY TO REQUIRE MUNICIPALLY-OWNED UTILITIES AND ELECTRIC COOPERATIVES TO PAY FOR ANY RESOURCE ADEQUACY CONSTRUCT IS NOT SUPPORTED BY THE LAW OR PAST PRACTICE

TIEC argues that the Commission does not have the authority to require electric cooperatives and municipally-owned utilities to share the cost of a future capacity market construct. Other commenters claimed it was an open question. The Commission should note that no municipally-owned utility or electric cooperative so argued. In fact, both CPS Energy and Austin Energy gave numerous examples of past instances when municipally owned utilities and

electric cooperatives bore the cost when the Commission required other resource adequacy measures.

Moreover, TIEC failed to recognize that PURA Section 39.151(j) expressly requires municipally-owned utilities and electric cooperatives to observe all policies, rules, guidelines and procedures established by ERCOT, regarding reliability in ERCOT. Of course, PURA, Section 39.151(d) gives the Commission complete oversight over ERCOT. Moreover, PURA, Section 39.101(a) requires the Commission to ensure that retail customers have safe reliable and reasonably priced electricity. When the legislature ensured municipally-owned utilities and electric cooperatives access to the wholesale market in Chapters 40 and 41 of PURA, they did not intend that they get a free ride. In fact, PURA, Section 39.151(e) gives the PUC the authority to authorize ERCOT to charge *all wholesale buyers and sellers a reasonable and competitively neutral rate to cover ERCOT's cost of any resource adequacy construct*. Certainly, municipally-owned utilities and electric cooperatives would be included under those allowed to be charged. If not, it would no longer be a competitively neutral rate.

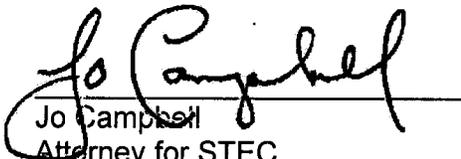
Clearly, TIEC makes this argument to bolster its false position, that a forward capacity market would burden consumers with horrible and unjustified costs. It fails to explain that it is in TIEC members' self-interest to prevent a forward capacity market from being established, as a supplement to the energy market. After all, many of those members that also own generation are enriched by ensuring a scarcity of generation in the ERCOT market if there is greater opportunity to shut down their core processes in order to sell any excess energy that may occur as a result.

However, as CPS Energy pointed out in its comments, retail customers of municipally-owned utilities and electric cooperatives pay for the construction of generation in their rates, but are still forced to be curtailed when there is a shortage of capacity in the ERCOT market.

2. THOSE WHO OPPOSE A FORWARD CAPACITY MARKET REST THEIR CASE ON THE FALLACY THAT SUCH A MARKET DESIGN WILL RAISE CONSUMERS BILLS BY BILLIONS OF DOLLARS

Those who oppose a forward capacity market design, to supplement an energy market and to ensure reliability, have used a scare tactic to gather support for their position by falsely claiming that such a market will cost consumers billions of unnecessary dollars. STEC simply refers the Commission to TRAM's discussion of the cost issue in its initial comments to show the fallacy of such arguments. STEC also notes that opponents fail to mention NERC's continued concern about ERCOT's reliability problem. STEC also notes that NERC's concern is based on more expertise and credibility than all of the opponents to a forward capacity market combined.

Respectfully submitted,



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