



GOVERNOR GREG ABBOTT

January 10, 2023

Public Utility Commission of Texas  
1701 North Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

Dear Commissioners:

I commend the Public Utility Commission (PUC) on the excellent progress made to implement the significant grid reliability reforms passed by the 87th Texas Legislature and the reliability measures in my July 6, 2021, directive. With these operational reforms in place, the ERCOT grid performed reliably for Texans last year, setting new all-time demand records for both summer and winter. However, as Texas continues to grow and demand more reliable dispatchable electricity, it is critical that you continue your work to ensure the long-term reliability of the Texas grid by adopting a reliability standard and a new reliability design for the ERCOT market.

After an extensive 18-month stakeholder engagement process and a review of the market designs analyzed in the reliability study commissioned by the PUC last year, the Performance Credit Mechanism (PCM) must be given strong consideration. As the Legislature has noted, a reliability standard must be the foundation of any reliability design. The PCM best meets this call because it is based on a reliability standard, incentivizes new dispatchable generation, and maintains Texas' energy-only market. The fact that generators have already publicly committed to build thousands of new megawatts of dispatchable generation resources if the PCM is adopted and implemented by the PUC further supports this point.

During the transition to the new reliable market design and the construction of new dispatchable generation resources, the PUC should also put in place a bridge solution to ensure sufficient supply for the growing power demand in Texas. Any such bridge solution should utilize existing ERCOT products and services in order to expedite implementation and not delay the new reliable market design's development and deployment. This bridge solution should be constructed to provide the necessary tool(s) to address any operational constraints or challenges ERCOT grid operators may face while the PCM is being implemented.

The Public Utility Commission of Texas

January 10, 2023

Page 2

Time is of the essence. Texas is adding new residents and businesses every year, and the demands on the power grid will continue to grow. I have full confidence that you will be able to meet this new demand by adopting and implementing a new market design that prioritizes reliability and meets the directives passed during the last legislative session.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Abbott". The signature is fluid and cursive, with a long horizontal stroke at the end.

Greg Abbott  
Governor

GA:js

cc: Chairman Peter Lake  
Commissioner Will McAdams  
Commissioner Lori Cobos  
Commissioner Jimmy Glotfelty  
Commissioner Kathleen Jackson