



MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee
FROM Brattle South Carolina Electricity Market Reform Measure Study Team
SUBJECT **Summary of Advisory Board Written Comments**
DATE July 8, 2022

Brattle has been tasked with coordinating and providing feedback from the Technical Advisory Board to the Study Committee. This memo provides a general summary of the written comments the members of the Advisory Board submitted to the Study Committee. The full written comments are submitted along with this summary.

a. Customer cost savings and reliability must come first

Nearly every member of the Advisory Board indicated that any pursued market reform option should result in cost savings to all tiers of customers while maintaining or improving reliability.

b. SC State regulatory oversight should be protected

Several members also indicated that any pursued reform option should not affect SC regulatory control over state energy policy and generation/transmission investment planning, and several others indicated options should allow for better access to a cleaner, more renewable, and diverse set of generation resources.

c. Study Committee should establish goals of market reform study and define the role of Advisory Board

Many members requested the Study Committee to explicitly state the committee's goals for market reform to better evaluate the reform options against these stated goals, and to clearly define the role of the (non-voting) Advisory Board in the market reform study process.

d. Brattle should focus modelling efforts on a reduced number of market reform options that are most viable

There was broad consensus among the members to better focus modeling efforts on a reduced set of market reform options that Brattle and the Study Committee view as the most viable options. A full study of all market reform options was perceived as likely to be a distraction from more productive areas of interest. Many members identified that full retail choice and generation divestiture were too large of a change and should not be considered further at this time. The most commonly mentioned market reform options that members indicated warranted further study included the Status Quo (including the SEEM), a Joint Dispatch Agreement, an Energy Imbalance Market, and joining or creating a Regional Transmission Organization (RTO) while maintaining the vertically integrated utility model.

e. Study must identify and define all benefits, costs, risks, and opportunities of the market reform options, including the Status Quo

The majority of Advisory Board members indicated that the Study Committee must acknowledge that all market reform options, including the vertically integrated monopoly model currently utilized in South Carolina, contain flaws despite best intentions. Therefore, all costs, benefits, risks, and opportunities of all reform options must be quantified either through quantitative and/or qualitative methods as warranted.

Not only should the primary effects be quantified such as production cost savings, reduced reserve margin savings, market administration costs, load diversity resiliency benefits, etc. but also secondary effects resulting from each market reform option such as reduction of SC State autonomy and control over the energy industry, risks of reduced protections of retail customers (particularly low-income or otherwise at-risk customers), increased economic development and job creation opportunities by being more attractive to industry, and others. Some members of the Advisory Board warned against unintended negative consequences of market reform and that therefore benefits must greatly outweigh the identified costs to ensure that pursued reform options constitute a net benefit.

f. A single-state RTO is not practical for SC, however studied reform options should not be limited to only those that SC can enact unilaterally

Virtually all members agreed that an SC single-state RTO or wholesale market is not viable as larger regional coordination is needed to achieve notable benefits. However, many members

indicated that the study reform options to be studied in greater detail should not be limited to only those options that South Carolina can enact unilaterally. Members' comments suggest there should be a balance of attention to assess the immediately practicable as well as the sufficiently forward-looking reform options.

g. Explain and better quantify the Status Quo with SEEM

Many Advisory Board members also requested that the baseline model should clearly and accurately define the Status Quo, which should include SEEM, to correctly capture any additional benefits a market reform option could achieve above and beyond the Status Quo.

h. SEEM is a positive incremental change and should be allowed to develop further

Again broad consensus among members that SEEM is a positive incremental step and that future reform options, including an RTO-style wholesale market, could develop organically out of SEEM. Therefore the current benefits of SEEM should be better quantified as well as the potential options which could develop out of SEEM.

i. Additional options requested

Many members also requested Brattle to study: (i) securitization options for potential stranded assets, (ii) reforms to the existing IRP process in South Carolina, such as all-source competitive procurement, (iii) improved 3rd party access either via PPAs or other methods, (iv) improved SC regional transmission planning, and (v) rate structure reforms.