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DOCKET NO. 24770

**REPORT OF THE ELECTRIC
RELIABILITY COUNCIL OF TEXAS
(ERCOT) TO THE PUCT REGARDING
IMPLEMENTATION OF THE ERCOT
PROTOCOLS**

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PUBLIC UTILITY COMMISSION

OF TEXAS

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**ORDER NO. 13
ESTABLISHING PRICE CAPS AND REQUESTING COMMENT**

During the Open Meeting of the Public Utility Commission of Texas on July 25, 2002, the Commissioners considered imposing caps on the prices of ancillary services provided to the ERCOT system. This Order memorializes the Commission's determination that, effective immediately the price for ancillary services provided to the ERCOT system shall not exceed \$1,000/MWh for energy and \$1000/MW per hour for capacity. This limitation shall apply to all resources providing ancillary services to the ERCOT system.

In addition, the Commissioners asked the administrative law judge to seek comments from the parties and other interested persons regarding certain issues related to the effect of imposing price caps on load acting as a resource and alternatives to such caps that address both ERCOT's operational concerns and the potential gaming problems posed by qualified scheduling entities (QSEs) that represent both generation and load resources.¹ Therefore, not later than 1:00 p.m. on Wednesday, August 7, 2002, ERCOT, other parties to this docket, and any other interested person may file comments regarding the questions set forth below. Reply comments may be filed not later than 1:00 p.m. Tuesday, August 13. The Commission specifically requests input from existing and potential load resources.

1. Are price caps on load appropriate? If so, are the specific caps established by this order reasonable? Any party advocating that load and generation receive different treatment should explain the policy reasons supporting its position and provide a reasoned justification for any proposed alternative price cap.

¹ The QSE could bid in their Load Resource above the \$1000 cap to set the price, if load was not subject to the same price cap as generation resources, but never actually utilize the Load Resource.

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2. Does the proposal to allow a QSE that represents only load resources to offer prices in excess of the price caps established in this order adequately address the gaming concerns posed by QSEs that represent both generation and load resources expressed by ERCOT in Exhibit B of its July 23, 2002 filing? What are the potential benefits and problems associated with this proposal? With respect to the load-only QSE solution, specifically address anticipated systems related ERCOT implementation issues. Under this proposal, would load resources be able to establish a market clearing price in excess of the price caps applicable to generation resources and, if so, discuss the effect on the operation of the otherwise applicable price caps.
3. What other proposals would encourage the participation of load in the ancillary services market? Describe each proposal in detail and state whether it is intended to supplement or supplant the load-only QSE proposal set forth above. Compare the benefits and problems associated with each proposed alternative. With respect to each such proposal, specifically address anticipated systems related ERCOT implementation issues.

SIGNED AT AUSTIN, TEXAS the 26th day of July 2002.



MARC H. BURNS
ADMINISTRATIVE LAW JUDGE
POLICY DEVELOPMENT DIVISION