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| NPRR Number | 319 | NPRR Title | Required Documentation to Recover Fuel Costs for RUC Deployments | |
| Timeline | Normal | Action | | Recommended Approval |
| Date of Decision | | April 21, 2011 | | |
| Proposed Effective Date | | To be determined. | | |
| Priority and Rank Assigned | | To be determined. | | |
| Nodal Protocol Section Requiring Revision | | 9.14.7, Disputes for RUC Make-Whole Payment for Exceptional Fuel Costs | | |
| Revision Description | | This Nodal Protocol Revision Request (NPRR) clarifies what type of documentation Qualified Scheduling Entities (QSEs) must submit to ERCOT as proof of natural gas purchases when requesting additional compensation for fuel costs incurred when providing Reliability Unit Commitment (RUC) services. The NPRR further clarifies which documents are deemed acceptable as proof of fuel purchases and directs QSEs to request ERCOT Board approval for documentation not covered by the Nodal Protocols. | | |
| Reason for Revision | | This NPRR is being submitted by ERCOT to clarify the type of evidence a QSE must supply to ERCOT as proof of fuel purchases made intra-day as a result of providing a RUC service. The existing language in Section 9.14.7 was introduced with NPRR174, FIP Modifications in Verifiable Startup and Minimum Energy Costs and Recovery of Exceptional Fuel Costs During RUC Intervals. This language, however, is not clear on the type of documentation a QSE must file with ERCOT as proof of fuel purchases.  The intent of NPRR174 was to compensate QSEs for fuel purchases made intra-day to recover the costs of spot market fuel as a result of a RUC deployment and the QSE’s inability to make arrangements to purchase fuel in advance of the RUC deployment, since a QSE may not know if a particular Resource is going to be deployed by RUC before the gas market closes during the early hours of the Day-Ahead Market (DAM). Hence, it was the intent of the market to allow for additional compensation of intra-day fuel purchases whenever the QSE showed proof of such costs. However, ERCOT does not believe the intent of the market was to allow as documentation bilateral contracts between a QSE and a third party unless the third party’s primary business is providing (buying, selling or transporting) fuel services. ERCOT is of the opinion that if bilateral contracts between two parties are allowed as proof of fuel purchases, there is no incentive for QSEs to negotiate for “the best price” knowing full well that the incremental costs above the Fuel Index Price (FIP) used by ERCOT in establishing fuel costs can be recuperated via a Settlement dispute. | | |
| Overall Market Benefit | | Better understanding of proof required to recover fuel costs incurred when providing RUC services. | | |
| Overall Market Impact | | Limits types of contracts that can be used as proof of fuel costs. | | |
| Consumer Impact | | Unknown. | | |
| Credit Impacts | | To be determined. | | |
| Procedural History | | * On 2/7/11, NPRR319 and an Impact Analysis were posted. * On 3/24/11, PRS considered NPRR319. * On 4/6/11, NRG Texas Power comments were posted. * On 4/11/11, WMS comments were posted. * On 4/21/11, PRS again considered NPRR319. | | |
| PRS Decision | | On 3/24/11, PRS unanimously voted to table NPRR319 for one month. All Market Segments were present for the vote.  On 4/21/11, PRS unanimously voted to recommend approval of NPRR319 as amended by the 4/6/11 NRG Texas Power comments. All Market Segments were present for the vote. | | |
| Summary of PRS Discussion | | On 3/24/11, ERCOT Staff requested that PRS tabled NPRR319 and that WMS review and provide input on the NPRR.  On 4/21/11, there was no discussion. | | |

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| Quantitative Impacts and Benefits | | | | |
| Assumptions | | 1 |  | |
| 2 |  | |
| 3 |  | |
| 4 |  | |
| Market Cost | |  | **Impact Area** | **Monetary Impact** |
| 1 | *Limits types of contracts that can be used as proof of fuel costs.* | *Unknown.* |
| 2 |  |  |
| 3 |  |  |
| 4 |  |  |
| Market Benefit | |  | **Impact Area** | **Monetary Impact** |
| 1 | *Better understanding of proof required to recover fuel costs incurred when providing RUC services.* | *Unknown.* |
| 2 |  |  |
| 3 |  |  |
| 4 |  |  |
| Additional Qualitative Information | | 1 |  | |
| 2 |  | |
| 3 |  | |
| 4 |  | |
| Other Comments | | 1 |  | |
| 2 |  | |
| 3 |  | |
| 4 |  | |

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| Market Segment | Not applicable |

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| **Comments Received** | |
| Comment Author | **Comment Summary** |
| NRG Texas Power 040611 | Proposed revisions to provide the same grandfathering provision that was previously allowed for the recovery of Operations and Maintenance (O&M) costs from Power Purchase and Tolling Agreements (PPAs) to be applied to RUC-deployed units. |
| WMS 041111 | Endorsed NPRR319 as amended by the 4/6/11 NRG Texas Power comments and requested that the Verifiable Cost Working Group (VCWG) continue to explore options for fixing problems with RUC cost recovery. |

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| Proposed Protocol Language Revision |

9.14.7 Disputes for RUC Make-Whole Payment for Exceptional Fuel Costs

(1) If the actual price paid for delivered natural gas for a specific Resource during a Reliability Unit Commitment (RUC)-Committed Interval is greater than Fuel Index Price (FIP) \* 1.X, then the QSE may file a Settlement dispute for that Resource’s RUC Make-Whole Payment. The maximum amount that may be recovered through this dispute process is the difference between the RUC Guarantee based on the actual price paid and a fuel price of FIP \* 1.X. The QSE must provide documentation (invoices) that identifies intra-day costs of natural gas consumed during the RUC-Committed Interval. Such documentation is necessary to justify recovery of natural gas costs, which is limited to the actual fuel amount (MMBtus) consumed during RUC-Committed Intervals. All documentation submitted by the QSE for natural gas costs incurred intra-day must show a nexus from the seller or distributor of natural gas products to the QSE, Resource Entity or Generation Entity as the ultimate buyer. The QSE must demonstrate that the seller or distributor has procured natural gas fuel intra-day. Power Purchase or Tolling Agreements (PPAs) filed as documentation of proof of fuel costs will not be accepted unless it meets the criteria in paragraph (4) below.

(2) If the actual price paid for the delivered fuel oil used to replace oil consumed during a RUC-Committed Interval is greater than Fuel Oil Price (FOP), then the QSE may file a Settlement dispute for the Resource’s RUC Make-Whole Payment. The QSE must provide documentation that identifies purchases of fuel oil by the QSE, Resource Entity or Generation Entity to replace oil consumed for a RUC-Committed Interval. In addition, the QSE must provide proof that the Resource actually consumed fuel oil during the RUC-Committed Interval. Proof of actual consumption may be based on the Resource’s technical specifications or flow meters as appropriate. Documentation of fuel oil purchases must show that these were made no later than seven Business Days after the end of the last consecutive RUC-Committed Interval. Such documentation is necessary to justify recovery of replacement fuel oil costs which is limited to the actual gallons/barrels of fuel oil consumed during RUC-Committed Intervals.

(3) If the QSE representing the Generation Resource made a Three-Part Supply Offer into the DAM based on FIP and had to run on fuel oil in a RUC-Committed Hour, the QSE may file a Settlement dispute to recover the difference between the RUC Guarantee based actual price paid for delivered fuel oil minus the offer price.

(4) A QSE submitting documents for the recovery of fuel costs for RUC deployments other than those specifically discussed in paragraph (1) above must either:

(a) Request to have such documents approved by the ERCOT Board during an Executive Session at the next regularly scheduled meeting of the ERCOT Board. If the ERCOT Board approves the inclusion of such documentation as proof of fuel purchases, the QSE must file a Nodal Protocol Revision Request (NPRR) in accordance with Section 21, Process for Nodal Protocol Revision, to add this category of documentation to the process for approval of RUC Make-Whole Payments; or

(b) Have incurred the cost of the fuel with a PPA signed prior to July 16, 2008 that is not between Affiliates, subsidiaries, or partners.