

### NPRR533, Clarification of PCRR Eligibility Requirements, Workshop

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#### PUC Docket No. 23220 – Order on Rehearing (pp. 17-18) – June 1, 2001

- 1. ERCOT shall submit to the Commission a complete justification for each of the terms and conditions of the PCRs.
- 2. ERCOT shall submit a list of Market Participants that will receive PCRs, along with the specific rights that each will receive and the cost that each will pay.
- 3. ERCOT shall also provide a complete justification for not having all PCRs expire after a specified term (e.g., ten years) and for extending the grandfathered TCRs beyond the date a cooperative or MOU institutes customer choice; and a complete justification for the quantification of the cost of the PCRs, including a complete justification for why the cost of the PCRs should not escalate over time, given that they could potentially be held for many years.

### PUC Docket No. 24770 – ERCOT Report to the PUCT Regarding Implementation of the ERCOT Protocols (pp. 12 – 21) – October 1, 2001

- "PCRs was one of many issues that was debated and negotiated by stakeholders during the development of the ERCOT Protocols." – p. 12.
- "As in any compromise, there may not be strong empirical evidence supporting a particular portion of the final agreement." – p. 13.



#### ERCOT Report to the PUCT (con't)

- "Essentially, the non-opt-in utilities are allowed, under the law as established in Senate Bill 7 and implemented in PURA 99, to continue to function in an open access wholesale market much as they did prior to the implementation of customer choice in ERCOT, until such time as they make the decision to opt-in." – p. 13.
- "In recognition of the role that Senate Bill 7 played in establishing the new market structures, the date of a contract qualifying for pre-assigned TCRs was set to the date of enactment, September 1, 1999. It was felt that any contracts entered into after that date, were entered into with full knowledge of the new market structure and the parties would have had the opportunity to take the issue of congestion management into account. It was believed that this should only be available for longer-term commitments, which was described as five years or longer. The minimum five years covered the commitments of parties developing the proposal and no party proposed a shorter period of time." p. 15.
- New resources are not eligible for PCRs. PCRs cannot be shifted to other resources. PCRs are dedicated to the load and to the resources that meet the eligibility requirements. p. 18.
- PCRs are not meant to provide a financial windfall or benefit. When the commitment to that resource ends, so do the PCRs. p. 18.
- PCRs are meant to coincide with the term of the commitment. Just as there is no extension for a load entity for PCRs past the point that the specific eligible commitment is terminated, there is no provision to terminate the pre-assignment until the commitment between that load and that resource is terminated, except in cases where the entity opts-in and the entity is not affected by the Private Use restrictions. p. 19.
- "If ERCOT builds out the transmission grid to meet all schedules, then the existence of PCRs will not be an issue at some point in time. If ERCOT determines it is not cost effective to build out the system to meet all schedules without incurring congestion, then the same principles will apply then as now. An entity with an on-going obligation committed to prior to the restructuring of the market must be protected. The only fact that may change this principle is if the legislature determines to change the law and its application to either provide more or less protection than it did under PURA 95 and PURA 99." – p. 19.



### History of PCRs (con't) – PUC Docket No. 24770 – Attachment D-1

						Affected	2001	2001	Assigned	Assigned
	I					By	Average	Average	TCR's LW	TCR's
						Current	Shift Factor	Shift Factor	South to	West to
Company Austin Energy	1 1	Generation to Load STP to Austin Energy	Sending Zone South 2001	Receiving Zone South 2001	Mw's 400	CSC's No	LW NA	GP NA	North	North
Austin Energy		Fayette to Austin Energy	South 2001	South 2001	580	No	NA	NA	NA I	NA
Austin Energy		Texas Wind Power Project to Austin Energy	West 2001	South 2001	10	Yes	0,1882	0.5371	-1.88	6.00
Brazos	1	San Miguel to Brazos-North	South 2001	North 2001	149	Yes	0.2158	0.0346	32.15	5.16
	1	San Miguel to Brazos-West San Miguel to Brazos-South	South 2001 South 2001	West 2001 South 2001	20	Yes No	0.1882 NA	0.0346 NA	3.76 NA	0.69 NA
Brazos	2	R.W. Miller to Brazos-North	North 2001	North 2001	464	No	NA	NA	NA 1	NA
	F _	R.W. Miller to Brazos-West	North 2001	West 2001	63	Yes	-0.0276	-0.5717	-1.74	-36.02
		R.W. Miller to Brazos-South	North 2001	South 2001	84	Yes	-0.2158	-0.0346	-18.13	-2.91
Brazos	3	North Texas to Brazos-North North Texas to Brazos-West	North 2001 North 2001	North 2001 West 2001	58	No Yes	NA -0.0276	NA -0.5717	NA -0.22	NA -4.57
	1	North Texas to Brazos-South	North 2001	South 2001	10	Yes	-0.2158	-0.0346	-2.16	-0.35
Brazos	4	Tenaska(Cleburne) to Brazos-North	North 2001	North 2001	200	No	NA	NA	NA	NA
		Tenaska(Cleburne) to Brazos-West	North 2001	West 2001	27	Yes	-0.0276	-0.5717	-0.75	-15.44
	5	Tenaska(Cleburne) to Brazos-South	North 2001	South 2001	36	Yes	-0.2158	-0.0346	-7.77	-1.25
Brazos	5	Whitney Hydro to Brazos-North Whitney Hydro to Brazos-West	North 2001 North 2001	North 2001 West 2001	23	No Yes	-0.0276	-0.5717	NA -0.08	NA -1.72
	1	Whitney Hydro to Brazos-South	North 2001	South 2001	4	Yes	-0.2158	-0.0346	-0.86	-0.14
Brazos	6	Morris Sheppard Hydro to Brazos-North	North 2001	North 2001	18	No	NA	NA	NA	NA
		Morris Sheppard Hydro to Brazos-West	North 2001	West 2001	3	Yes	-0.0276	-0.5717	-0.08	-1.72
	1	Morris Sheppard Hydro to Brazos-South	North 2001	South 2001	3	Yes	-0.2158	-0.0346	-0.65	-0.10
Brownsville	1	Oklaunion to Brownsville	West 2001	South 2001	- 68	Yes	-0.1882	0.5371	36.00	37,00
Brownsville	2	Hidalgo to Brownsville	South 2001	South 2001	105	No	NA	NA	NA	NA
Bryan	1	TMPA Gibbons Creek to Bryan	South 2001	South 2001	100	No	NA	NA	NA	NA.
Cap Rock	1	Cogen Lyndell to Hunt Collin of Cap Rock	South 2001	North 2001	22	No .	0.2158	0.0346		1:00
CPS	1	STP Generation to San Antonio Native Load	South 2001	South 2001	700	No	NA	NA	NA	NA
Garland	- 2	TMPA Globons Creek to Denton TMPA Globons Creek to City of Garland	South 2001 South 2001	North 2001 North 2001	98.41 217.14	Yes	0.2158			4.00
Greenville	4	TMPA Globons Creek to GEUS (Greenville)	South 2001	North 2001	46.20	Yes	0.2158			2.00
LCRA	1	Ferguson to LCRA	South 2001	South 2001	430	No	NA	NA	NA	NA
LCRA	2	Gideon/Lost Pine to LCRA	South 2001	South 2001	942	No	NA	NA	NA NA	NA
LCRA	3	Fayette to LCRA	South 2001 West 2001	South 2001	1,090	No	NA 	NA	NA	NA
LCRA	5	Delaware/Indian Mesa Wind to LCRA Texas Wind Power to LCRA	West 2001	South 2001	35	Yes	-0.1882	0.5371	-4.14	11.82
LCRA	ĕ	LCRA Hydroeletric to LCRA	South 2001	South 2001	282	No	NA	NA	NA	NA
LCRA	1 7	Long Term Power Purchase to LCRA	South 2001	South 2001	100	No	NA	NA	NA	NA
LCRA	8	LCRA's Customer Distribution Gen. to LCRA	South 2001	South 2001	25	No	NA	NA	NA	NA
	+	LCRA - total				No	NA	NA		31.00
Rayburn STEC	1	San Miguel #1 to STEC	North 2001 South 2001	North 2001 South 2001	42	No	NA	NA	NA I	NA NA
STEC	2	Amistad #1 to STEC	South 2001	South 2001	33	No	NA	NA	NA	NA
STEC	3	Amistad #2 to STEC	South 2001	South 2001	33	No	NA	NA	NA I	NA.
STEC	1 1	Falcon #1 to STEC	South 2001	South 2001	11	No	NA	NA.	NA	NA.
STEC	5	Falcon #2 to STEC Falcon #3 to STEC	South 2001 South 2001	South 2001 South 2001	11	No	NA NA	NA NA	NA	NA NA
STEC	1 2	Pearsall #1 to STEC	South 2001	South 2001	24	No	NA	NA	NA	NA
STEC	8	Pearsall #2 to STEC	South 2001	South 2001	24	No	NA I	NA	NA	NA.
STEC	9	Pearsall #3 to STEC	South 2001	South 2001	24	No	NA	NA	NA	NA.
STEC	10	Sam Rayburn #1 to STEC	South 2001 South 2001	South 2001 South 2001	12 12	No	NA NA	NA NA	NA	NA
STEC	12	Sam Rayburn #2 to STEC Sam Rayburn #3 to STEC	South 2001 South 2001	South 2001 South 2001	25	No	NA I	NA	NA	NA
TXLA	1 1	Denison Dam to Tex-La load	North 2001	North 2001	21	No	NA	NA	NA	NA
TXLA	2	Denison Dam to Tex-La load	North 2001	South 2001	7	Yes	-0.2158	-0.0346	-1.53	-0.25
TXLA	3	WTU to Tex-La load	West 2001	North 2001	17	Yes	0.0276	0.5717	1.00	9.83
TXLA	4	WTU to Tex-La load DC East to Tex-La load	West 2001 North 2001	South 2001 North 2001	6 41	Yes	-0,1682 NA	0.5371 NA	-1.13 NA	3.22 NA
		TXLA - total	10101 2001	101012001			110	100 1		14.00
Weatherford	1	West Texas Utilities to Weatherford	West 2001	North 2001	64	Yes	0.0276	0.5717	2.00	37.00
Sum of Positive Impacts									123.00	146.00
Rounded Sum of Positive Impacts									123.00	146.00
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#### Available TCR's - Approximate Constraint Limitation (MW) Summer

#### Percent TCR's That Are Pre-Assigned

Notes:

These figures are based on 2001 CSCs. CSCs will be developed anually. South to North, Limestone-Watermill (LW) West to North, Graham-Parker (GP)



811

18.0%

1,124

10.9%

#### Order No. 15 – September 23, 2002 – Decision Point List (DPL)

- <u>DPL Issue 9</u> The Commissioners decided that PCRs for NOIEs should not be eliminated.
- <u>DPL Issue 10</u> The Commissioners determined that affiliated retail electric providers (REPs) subject to price to beat requirements should not be eligible for PCRs.
- <u>DPL Issue 11</u> The Commissioners determined that PCRs, once issued, should be treated the same way as other TCRs. Specifically, the Commissioners decided that the "use it or lose it" restriction currently applied to PCRs should be eliminated and that PCRs would therefore be tradable and transferable.
- <u>DPL Issue 12</u> The Commissioners decided that PCR and the combination of a NOIE's PCR and TCR holdings should be subject to the same 25% holding limit applicable to TCRs.
- <u>DPL Issue 13</u> The Commissioners agreed to implement one change to the termination dates for PCRs. The Commissioners decided that a NOIE should no longer be able to use or acquire a PCR after it opts into competition. (Does not apply to STEC).
- <u>DPL Issue 14</u> The Commissioners agreed to the existence of sound policy reasons that support changing the way in which PCRs are priced. Rather than select a new pricing model, however, the Commissioner instructed the parties to attempt to agree to a model that reflected the concerns identified by the Commissioners in their comments during the Open Meeting. The Commissioners instructed the parties to report back to the Commission at or before the Commission's Open Meeting scheduled for September 25, 2002.
- <u>DPL Issue 15</u> The Commissioners did not decide whether to establish a separate docket for resolving any remaining PCR issues.



### Final Order – August 20, 2003

- The Commission re-affirmed its decisions (DPL Issues 9-15) issued in Order No. 15.
- <u>Finding of Fact No. 46</u> A separate docket at this time to resolve additional PCRs issues is not necessary.
- Ordering Paragraph No. 6 ERCOT shall revise Protocols to reflect the following:
  - 1. PCRs for NOIEs shall not be eliminated.
  - 2. The affiliated REPs subject to the price-to-beat requirements shall not be eligible for PCRs.
  - 3. The PCRs shall have the same characteristics as TCRs. The "use it or lose it" restriction applied to PCRs shall be eliminated and PCRs shall be tradable and transferable.
  - 4. PCRs shall be subject to the same holding limits as TCRs. The 25% limit on TCRs holdings, and any TCRs limit that supersedes it, will apply equally to PCRs and combinations of PCRs and TCRs.



### ERCOT Zonal Protocols – Section 7.5.6, Direct Allocation of Pre-Assigned Congestion Rights (November 17, 2004)

Upon the zonal method being implemented and once auctioned TCRs are available for use, MOUs and ECs which own or have a long-term (greater than five years) contractual commitment for annual capacity and energy from a specific remote Generation Resource, and that commitment was entered into prior to September 1, 1999, are eligible for Pre-assigned Congestion Rights (PCRs). In addition, MOUs and ECs which have a long-term (greater than five years) allocation from the federal government for annual capacity and energy produced at a federally-owned hydroelectric Generation Resource, and that allocation was in place prior to September 1, 1999, are eligible for PCRs. The PCRs will be allocated as follows:

- 1. PCRs are available on an annual basis until the date upon which a MOU or EC implements retail Customer Choice, or, alternatively, until such other date as may be specified by Order of the PUCT. NOIEs that opt in after the first of the year shall pay a pro rata share of the full value for remaining months: (Applicable Annual TCR Clearing Price \* 85% \* Quantity of PCRs \* Number of hours remaining in the year).
- 2. The cost of PCRs shall be equal to fifteen percent (15%) of the applicable annual TCR auction clearing price for each CSC for which a PCR is allocated.

PCRINVyp =  $\Sigma$  ((ATCRCPCSCyp \* .15) \* PCRCSCyp \* H))CSC Where:

- p PCR owner of record
- y Year

ATCRCP Annual TCR Clearing Price (\$/MW)

CSC Commercially Significant Constraint

- H Number of Hours eligible for PCRs (hours/year)
- PCRCSCyp Total number of PCRs allocated for each of the CSCs, per PCR owner of record, for a given year (MW)
- PCRINVyp TCR payment per hour, per TCR owner of record (\$/year)
- 3. The allocation of PCRs to any single Entity shall not exceed twenty-five percent (25%) of the total available TCRs at a CSC interface for any single direction.
- 4. The distribution of PCRs will be sufficient to isolate the MOUs and ECs from any direct-assigned costs associated with transporting the output of their remote Generation Resources to their native Load.
- 5. ERCOT shall distribute PCRs and accordingly populate the TCR ownership database for those months where the NOIE meets eligibility requirements. PCRs will be included in applicable monthly TCR auctions when the NOIE does not meet eligibility requirements across the year.
- 6. PCRs may be traded in the secondary market.
- 7. Holders of PCRs shall not be precluded from participating in the market to purchase additional TCRs.



### ERCOT Nodal Protocols – Section 7.4.1, PCRR Allocation Eligibility (September 1, 2013)

- 1. Pre-Assigned Congestion Revenue Rights (PCRRs) are available to be allocated to Non-Opt-In Entities (NOIEs) that choose to apply for those rights and that:
  - a) Own or have a long-term (greater than five years) contractual commitment that was entered into before September 1, 1999 for annual capacity and energy from specific Generation Resources or across high voltage Direct Current Ties (DC Ties); or
  - b) Have a long-term (greater than five years) allocation from the federal government for annual capacity and energy produced at a federally-owned hydroelectric Generation Resource, and that allocation was in place prior to September 1, 1999.
- 2. All PCRRs that are allocated in recognition for a long-term (greater than five years) contractual commitment that was entered into before September 1, 1999 for annual capacity and energy across high voltage DC Ties shall source at the appropriate DC Tie Settlement Point.
- 3. A Municipally Owned Utility (MOU) or Electric Cooperative (EC) may no longer receive allocated PCRRs after they opt into competition, with the exception of South Texas Electric Cooperative (STEC). STEC may be allocated PCRRs for up to three years after the date it enters into competition.



- 1. Refund Process
- 2. Retirements of specific Generation Resources
- 3. Outages of specific Generation Resources
- 4. Mothballing of specific Generation Resources
- 5. Sale of specific Generation Resources
- 6. PCRR Resource Eligibility Cap
- 7. Contract Evergreens and Amendments



### NPRR533 Discussion Point No.1 – Refund Process

**ERCOT Proposal:** If a NOIE loses PCRR Eligibility, the NOIE must use the following process to resolve the associated PCRR-related CRR discounts.

- 1. If the NOIE maintains PCRR-related CRRs in its CRR Account, then the CRRs associated with the PCRR allocation can:
  - a. Be returned to ERCOT for a refund of the discounted purchase price; or
  - b. Be retained by the NOIE and the NOIE pays ERCOT the price differential between discounted CRR price and the full CRR Auction price in which the CRR was acquired.
- 2. If the NOIE no longer maintains PCRR-related CRRs (sale, transfer, etc.), then the NOIE pays ERCOT the price differential between the discounted CRR price and the full CRR Auction price in which the CRR was acquired.
- 3. If the NOIE obtained PCRR-related CRRs through the Refund option (allocated at no charge), then the CRRs will be returned to ERCOT with no financial exchange.

**NPRR533:** Section 7.4.1.2.2, *Effect of PCRR Source Settlement Point Disqualification*. ERCOT will propose language to incorporate the Refund Process into this Section.

**Other Stakeholder Views:** Should Option 1b be allowed as a NOIE would only ever utilize this option if the price differential was to its benefit – meaning, the monthly CRR Auction price would potentially be higher than the annual CRR Auction price?



## NPRR533 Discussion Point No. 2 – Retirements of specific Generation Resources

### ERCOT Proposal:

A retirement request is received for a pre-1999 PCRR-eligible specific Generation Resource, regardless of ERCOT's execution of a Reliability-Must-Run (RMR) Agreement:

- 1. PCRR Allocation Eligibility beyond the retirement date is lost.
- For any Resource retirement-PCRR-related CRRs in the NOIE's CRR Account, after retirement date, the Refund Process (as described in Discussion Point No. 1) will be initiated.

**<u>NPRR533 Language:</u>** Section 7.4.1.2.1, PCRR Source Settlement Point Disqualifying Events.



# NPRR533 Discussion Point No. 3 – Outages of Specific Generation Resources

**ERCOT Proposal:** NOIE maintains PCRR allocation eligibility and further retains PCRR-related CRRs if a PCRR-eligible Generation Resource is out of service pursuant to a Maintenance Outage, Forced Outage, Opportunity Outage or Planned Outage.

If Outage extends beyond 12 months, NOIE must demonstrate to ERCOT's satisfaction that the Outage is maintenance related.

#### **NPRR533 Language:** Section 7.4.1.2.1(1)(c).

**Other Stakeholder Views:** NOIEs should not retain PCRR-related CRRs when the PCRR-eligible Generation Resource is out of service for a certain period of time – most likely less than 12 months.

**Other Considerations:** How should we handle Mothballed Generation Resources operating under a Seasonal Operation Period? It is treated as a Planned Outage under the ERCOT Protocols.



## NPRR533 Discussion Point No. 4 – Mothballing of Specific Generation Resources

**ERCOT Proposal:** NOIE maintains PCRR allocation eligibility if a PCRR-related Generation Resource becomes a Mothballed Generation Resource. However, NOIE does <u>not</u> retain PCRR-related CRRs during the Mothballed Generation Resource period. Refund Process will be implemented during the Mothballed Generation Generation Resource period.

In order to maximize transmission capacity for monthly CRR Auctions when there is a Mothballed Generation Resource, ERCOT will require that NOIEs give ERCOT a minimum of 60-days notice for any return-to-service requirements.

**<u>NPRR533 Language:</u>** Section 7.4.1.2.1(1)(d). ERCOT recommends modifying this section to reflect the current proposal.

<u>Other stakeholder views:</u> How should we handle Mothballed Generation Resources that are designated for the Capacity option? Should the capacity factor be no greater than 40% over just the PCRR-eligible months?



## NPRR533 Discussion Point No. 5 – Sale of Specific Generation Resource

### ERCOT Proposal:

- 1. NOIE does <u>not</u> maintain PCRR allocation eligibility if the PCRR-related Generation Resource is sold by the NOIE to another third-party and later enters into a long-term supply contract with that third-party to serve the NOIE Load. Refund Process will be implemented under this scenario.
- 2. NOIE does maintain PCRR allocation eligibility if the PCRR-related Generation Resource is sold/transferred from one third-party to another third-party in which the NOIE cannot unreasonably withhold its consent and the supply arrangement continues under the same terms and conditions of the pre-September 1, 1999 long-term contract.

**NPRR533 Language:** Section 7.4.1.2.1(2)(a) – (b).

**Other stakeholder views:** NOIE should lose its PCRR allocation eligibility once the PCRR-related Generation Resource has been sold under any conditions.



### NPRR533 Discussion Point No. 6 – PCRR Eligibility Cap of Specific Generation Resources

### ERCOT Proposal:

- 1. PCRR MW amounts shall be capped at the MW capacity of pre-September 1, 1999 Generation Resources as listed and approved by ERCOT in the November 2010 RARF (Nodal Go-Live data). ERCOT will post a list of PCRR-eligible Generation Resources and their respective PCRR MW amounts on the MIS Public Area.
- 2. If a PCRR-eligible Generation Resource is repowered by the addition of new equipment, the PCRR entitlement is limited to the remaining specific turbine/generator set(s) from the pre-September 1, 1999 Generation Resource and capped at the associated 2010 RARF High Sustained Limits (HSLs). New or upgraded components are not eligible for increased PCRR MW amounts.

**<u>NPRR533 Language:</u>** Section 7.4(2) and Section 7.4.2.2(1) and (2). ERCOT would modify these sections to reflect the proposal above.

Other Stakeholder Views: In general, ERCOT believes NOIEs and non-NOIEs support this proposal as it provides transparency on PCRR-eligible Generation Resources.



# NPRR533 Discussion Point No. 7 – Contract Evergreens and Amendments

### ERCOT Proposal:

- (1) Long-term contractual commitments that were entered into before September 1, 1999 and then subsequently revised after such date to extend the term of the relevant contract disqualify the NOIE for PCRR allocation eligibility. The Refund Process will be implemented at the time of disqualification.
- (2) However, if long-term contractual commitments that were entered into before September 1, 1999 contained an evergreen provision and the commitment is extended with or without amendments, then the NOIE will retain PCRR allocation eligibility for that portion of the capacity and energy of the specific Generation Resource(s) that continues to preserve the historical supply demand relationship with the NOIE Load.

**<u>NPRR533 Language:</u>** Section 7.4.1.1(1)(b) and Section 7.4.1.2.1(5). ERCOT would modify these sections to reflect the proposal above.

Other Stakeholder Views: Some stakeholders take the position that the NOIE's PCRR allocation eligibility ends at the earliest date that a commitment could have been terminated. See Section 4.1, PCRR Eligibility, TNT CMCG Concept Document (Except Load Zones), approved by TNT on 05/10/04.



### NPRR533 – Next Steps

- November 8, 2013 ERCOT revises White Paper and NPRR533 to reflect current position on discussion points.
- November 21, 2013 and December 19, 2013 PRS Meetings Review and vote on NPRR533.
- January 2014 TAC Meeting.
- February 2014 ERCOT Board of Directors Meeting.



### APPENDIX



ERCOT Public

### **Reminder of NOIE PCRR Processes**

PCRR Eligibility defines amount of PCRRs that NOIE is entitled. <u>Example:</u> 100 MW Generator-to-NOIE Load for 2015 eligibility

Eligible PCRR amounts can then be shaped (month and Time-of-Use) by the NOIE and submitted to ERCOT as a Nomination for the PCRR

Nominations process creates awarded allocations of PCRRs (18 months in advance) <u>Example:</u> 90 MW is nominated and awarded for 2015

PCRR purchase price set by associated 6-month auction clearing price in Long-Term Auction <u>Example:</u> \$3.00 clearing price, and discounted to be \$0.30 for 90 MW

Upon payment of Invoice, PCRR becomes owned by NOIE and no restrictions on ownership.



