CPS Energy’s position on the Operating Reserve Demand Curve

The Operating Reserve Demand Curve (ORDC) was chosen as the mechanism to provide resource adequacy in ERCOT’s energy only market. It provides shortage pricing for online and offline reserves as well as energy and is functioning as intended. The ORDC mechanism coupled with the $9,000 System Wide Offer Cap have resulted in an increase in the amount of capacity available in the real time energy market. This increase in capacity is also reflected in the generous reserve margin projections over the next 10 years. Reports published by the Independent Market Monitor (IMM) and ERCOT staff have not provided any compelling evidence that the ORDC is broken nor do the parameters need to be modified to fix a specific problem.

While it may be prudent to adjust the parameters of the ORDC that result in a curve with a different shape, CPS Energy does not support changes that result in significantly higher ORDC charges and revenues.

The ORDC is by no means a perfect mechanism. This is apparent when examining operating days like August 13th, 2015 as noted by Commissioner Anderson in his memo filed in Project 40000 at the Public Utility Commission of Texas. While the issues raised by Commissioner Anderson are real, they are more symptomatic of inefficiencies outside of the ORDC mechanism rather than the ORDC mechanism itself. August 13th was an example of the ORDC adder not reflecting a reduction in Physical Responsive Capacity (PRC). While this is true, it should be noted that the capacity indicators in the ORDC mechanism were not designed to align exactly with the PRC. The main difference is that the PRC reflects the capacity that is available in the next few seconds while the ORDC indicators reflect the capacity to meet demand over the next 30 minutes which includes offline generation. One concern is the fact that there can be instances when the ERCOT control room is preparing for Energy Emergency Alert declaration with adequate reserves available but offline. This can be addressed is by requiring all generation to be online when being dispatched by SCED or when nonspin is deployed.

CPS Energy supports the ERCOT Ancillary Service Methodology as approved by the ERCOT Board of Directors and does not support proposals which seek to increase the quantity of Responsive Reserve Ancillary Service. Ancillary Services are a reliability tool and should not be modified to address a potential market problem. ERCOT effectively manages the requirements and risks based on the Ancillary Service Methodology. If ERCOT feels that there is a need to modify the Ancillary Service Methodology, those changes should be based on reliability alone.