



1001 Congress Ave., Ste. 450
Austin, Texas 78701

February 1, 2016

Dear ERCOT Board Members:

Texas Competitive Power Advocates (TCPA) appreciates the opportunity to provide comments regarding the appeal submitted by Koch Ag & Energy Solutions to the ERCOT Board on December 7, 2015 of the Technical Advisory Committee (TAC) action on NPPR649 (Addressing Issues Surrounding High Dispatch Limit (HDL) Overrides). TCPA supports the appeal by Koch Ag & Energy Solutions, and urges the Board to approve NPPR649.

TCPA is a trade association representing Investor Owned Utilities, Independent Power Producers, Retail Electric Providers, and Independent Power Marketers with investments in Texas and ERCOT wholesale electric markets. TCPA members and their affiliates provide a wide range of important market functions and services in ERCOT, including the development, operation, and management of power generation assets, the scheduling and marketing of power, the provision of energy management services, and sales of competitive electric service to consumers. TCPA members provide more than 43,000 megawatts of installed capacity in the ERCOT market, have made billions of dollars of investment in the state, and employ thousands of Texans.¹

NPPR649 was filed by ERCOT in September of 2014 to address a known gap in the ERCOT Protocols regarding how generators should be compensated if ERCOT is manually holding their generation units below their economic output in order to support and maintain a reliable grid.

TCPA does not dispute that ERCOT does have, and should have, the ability to use manual overrides of a generation unit's parameters in order to appropriately manage conditions that could lead to an unreliable operation of the grid. Such manual overrides of a generation unit's parameters causes Security Constrained Economic Dispatch (SCED) to conclude that the generator lacks the capability to change its output beyond the indicated limit, which effectively constrains the generation unit's output level without regard to the generation unit's energy offer. When SCED ignores the generation unit's energy offer, it creates the possibility of an outcome that is inconsistent with the economic value of that unit, which can create a real financial loss for the generator. TCPA members strongly support the crucial competitive market principle that a market participant should not be financially harmed by out-of-market actions required to support reliability. NPPR649 was intended to ensure that, in a situation

¹ TCPA member companies include Calpine Corporation, GDF Suez, Luminant, NRG, Shell Energy, and Talen Energy. Koch Ag & Energy Solutions is not a member of TCPA.

where ERCOT's use of manual overrides is preventing a generation unit from operating at an output level that would have been achieved through economic dispatch, the generator is kept whole for that action. It is fundamentally imperative that in ERCOT's energy-only market, where generators must collect 100% of their revenues when their units are operating, that generators not forfeit the opportunity to collect those revenues because ERCOT is managing their units' output for reliability reasons. Extraordinary out-of-merit actions such as HDL Overrides for reliability purposes should be accompanied by measures to keep the resource owner whole because these actions can cause a resource to be short of its obligations in real time – a condition the owner has no tool to hedge against.

NPRR649 was unanimously approved by the Wholesale Market Subcommittee. The Protocol Revision Subcommittee approved the NPRR with only one opposing vote. At the TAC meeting, ERCOT and more than 50% of the members supported NPRR649, but it failed to achieve the required two-thirds supermajority vote. After more than a year of work on this NPRR by stakeholders and ERCOT staff, it is clear that there is no acceptable resolution that would be achieved by additional time or debate. TCPA believes that the NPRR is fair and appropriate, and that it is necessary to ensure that generators are able to compete on a level playing field in this market. TCPA respectfully requests that the Board grant Koch Ag & Energy Solution's appeal, and approve NPRR649.

Sincerely,

A handwritten signature in black ink that reads "Lindsey Hughes". The signature is written in a cursive, flowing style.

Lindsey Hughes

Executive Director

Texas Competitive Power Advocates