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| NPRR Number | XXX | NPRR Title | Provisions for Refunds of Capital Contributions Made in Connection with an RMR Agreement |
| Date Posted | | July 27, 2016 | |
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| Requested Resolution | | Normal | |
| Nodal Protocol Sections Requiring Revision | | 6.6.6.6, RMR for Reliability Capital Contributions Charge (new) | |
| Related Documents Requiring Revision/Related Revision Requests | | None | |
| Revision Description | | This Nodal Protocol Revision Request (NPRR) creates a mechanism by which capital expenditures funded by ERCOT under a Reliability Must-Run (RMR) Agreement may be refunded subsequent to the termination of the RMR Agreement. If the generation asset returns to commercial operations, the refund is based on depreciated book value of the capitalized expenditures. Otherwise the refund is based on the salvage value associated with the capitalized expenditures. This is similar to refunds of capital contributions that may be required for capacity procured under the provisions of Section 6.5.1.1, ERCOT Control Area Authority. | |
| Reason for Revision | | Addresses current operational issues.  Meets Strategic goals (tied to the [ERCOT Strategic Plan](http://www.ercot.com/content/news/presentations/2013/ERCOT%20Strat%20Plan%20FINAL%20112213.pdf) or directed by the ERCOT Board).  Market efficiencies or enhancements  Administrative  Regulatory requirements  Other: (explain)  *(please select all that apply)* | |
| Business Case | | This NPRR ensures that the capital value provided by ERCOT as part of an RMR Agreement accrues to the market. This is intended to minimize undue subsidization of potentially uneconomic generation assets that have been contracted under RMR Agreements. | |

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| Market Segment | Not applicable |

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| Proposed Protocol Language Revision |

6.6.6.6 RMR for Reliability Capital Contributions Charge

(1) For purposes of this Section, contributed capital expenditures are defined as expenditures that would generally be capitalized under Generally Accepted Accounting Principles (GAAP) or International Accounting Standards (IAS) assuming ongoing operation of the associated asset, and that are funded in connection with an RMR Agreement. As part of the Eligible Cost budgeting process as described in Section 3.14.1.11, Budgeting Eligible Costs, ERCOT will identify contributed capital expenditure items included in each category of submitted Eligible Costs as defined in Section 3.14.1.10, Eligible Costs.

(2) A Generation Resource that has received funding for contributed capital expenditures from ERCOT pursuant to an RMR Agreement executed under Section 3.14.1, Reliability Must Run, subsequent to September 30, 2016 must refund to ERCOT contributed capital expenditures based on the following criteria:

(a) If the Resource Entity chooses not to have the Generation Resource participate in energy or Ancillary Service markets after the termination date of the RMR Agreement executed under Section 3.14.1, the QSE representing the Resource Entity shall repay, in a lump sum payment, the salvage value associated with the contributed capital expenditures and any related capitalized installation charges leading to turn key as of the termination date of the RMR Agreement. The salvage value must be consistent with that used in the Resource Entity’s depreciation schedule for the asset(s).

(b) If the Resource Entity chooses to have the Generation Resource participate in the energy or Ancillary Service markets after the termination date of the RMR Agreement executed under Section 3.14.1, the QSE representing the Resource Entity shall repay, in a lump sum payment, 100% of the book value of the capitalized equipment and all installation charges leading to a turn-key, one-time startup based on linear depreciation over the estimated life of the capitalized component(s) as of the termination date of the RMR Agreement in accordance with GAAP or IAS standards for electric utility equipment. The estimated life shall be based on documentation provided by the manufacturer; if installing used equipment, the estimated life may be based on an approximation agreed to by the Resource Entity and ERCOT.

(c) If the Generation Resource is required to pay a lump sum payment of contributed capital expenditures per paragraph (a) or (b) above, ERCOT will issue a Notice to all registered Market Participants announcing the Generation Resource’s decision as to whether or not the Generation Resource will participate in the market(s) and identifying the amount of the lump sum payment due pursuant to paragraph (a) or (b) above. ERCOT will also issue Notice to all registered Market Participants after completion of the collection and disbursement of the repaid contributed capital expenditures, as described in paragraph (d) below, and after resolution of any disputes related to the contributed capital expenditures.

(d) ERCOT shall claw back applicable amounts under paragraphs (a) and (b) above no sooner than 45 days after the ERCOT issues the Notice described in paragraph (c) above regarding the Generation Resource’s operational status subsequent the termination date of the RMR Agreement.

(e) ERCOT shall distribute the repayment to QSEs representing Load on the same basis used to collect the monthly contributed capital expenditures, using a monthly Load Ratio Share (LRS). A QSE’s monthly LRS shall be the QSE’s total Real-Time Adjusted Metered Load (AML) for the month divided by the total ERCOT Real-Time AML for the same month.