**Settlement Option 1 – Optional Switch**

* Non-ERCOT Control Area releases the SWGR.
* SWGR QSE will have the decision if SWGR will move from non-ERCOT Control Area into ERCOT.
* ERCOT will ask for SWGR to switch for an Emergency Condition.
* Resource may be RUC committed and settled based on current Protocols

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| **Potential Benefits** | **Potential Costs** |
| 1. **Utilizes existing settlement processes; no incremental implementation costs**
2. **Potentially lower uplift costs to market than with Settlement Option 2**
3. **Grid reliability may be at risk if generator does not switch to ERCOT during emergency conditions**
 | 1. **RUC Make-Whole Payments**
2. **ERCOT may have to RUC more expensive generation if the SWGR chooses not to switch**
3. **ERCOT exposed to not adequately meeting grid reliability**
4. **Potential cost of not serving load can be significant (value of loss load = $9,000/MWh)**

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**Settlement Option 2 – Required Switch**

* + ERCOT will ask for SWGR to switch for an Emergency Condition.
	+ Non-ERCOT Control Area releases the SWGR. SWGR required to switch to ERCOT if capable.
	+ Potential for additional settlement treatment

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| **Potential Benefits** | **Potential Costs** |
| 1. **Better alignment of SWG compensation with actual costs**
2. **Provides better incentive to generators to make themselves available to ERCOT during emergency conditions**
3. **Allows ERCOT to better manage grid reliability**
4. **No risk to SWGR from both IMM/PUCT and FERC**
 | **1.       Capacity penalties**  SWG cannot meet capacity obligations  Potential penalty = $1,200,000**2.       Incremental start trip costs (during synchronous speed & no load)**  Potential cost approx. $10,000 per start (industry average)**3.       Gas penalties**  Costs associated with missed scheduled gas burn  Potential storage and demand charges  Costs as high as $225,00 per hour**4.       Breach of bilateral obligations/ Liquidated damages**  Potential capacity replacement costs   Costs as high as $772,000 per hour**6.       Right of private action exemption**  Undefined**7. NERC violations**  Potential costs as high as $1, 000,000 per day**8. Potentially more expensive settlement implementation costs****9. Potential PUCT/IMM withholding penalties****10. PPA costs****11. Market obligation make whole charges** |

Other things to consider

* Can we differentiate QSGRS from other units in the application of switching policies?
* Do we need separate settlement treatment for different ISO connected SWGRS