**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)** |

**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