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| OBDRR Number | [004](http://www.ercot.com/mktrules/issues/OBDRR004) | OBDRR Title | Updates to Emergency Response Service Procurement Methodology |
| Date of Decision | | May 24, 2018 | |
| Action | | Endorsed | |
| Proposed Effective Date | | July 1, 2018 | |
| Priority and Rank Assigned | | Not applicable | |
| Other Binding Document Requiring Revision | | Emergency Response Service Procurement Methodology | |
| Supporting Protocol or Guide Section(s)/ Related Documents | | Protocol Section 3.14.3.1, Emergency Response Service Procurement | |
| Revision Description | | This Other Binding Document Revision Request (OBDRR) revises the risk-weighting factors available for ERCOT to assign to each Emergency Response Service (ERS) Time Period in Section E, ERS Expenditure Limit; describes the process for updating the ERS Time Period Expenditure Limits for any subsequent Standard Contract Terms if money is needed to fund and ERS renewal Contract Period; and updates Table A in Section F, Capacity Inflection Point, to reflect the proposed changes to the risk-weighting factors. | |
| 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 OBDRR broadens the range of risk-weighting factors to provide a more meaningful differentiation of risk between ERS Time Periods as well as describes the process ERCOT would use to move money from subsequent Standard Contract Terms to fund an ERS renewal Contract Period. | |
| TAC Decision | | On 5/24/18, TAC voted to endorse OBDRR004 as amended by the 4/18/18 ERCOT comments and the associated Impact Analysis with a proposed effective date of July 1, 2018. There was one opposing vote from the Independent Power Marketer (IPM) (Morgan Stanley) Market Segment. All Market Segments were present for the vote. | |
| Summary of TAC Discussion | | On 5/24/18, participants reviewed the 4/18/18 ERCOT comments and discussed the appropriate minimum risk factor (0 vs 1) for an ERS Time Period. | |
| ERCOT Opinion | | ERCOT supports approval of OBDRR004. | |

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| Market Segment | Not applicable |

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| **Comments Received** | |
| Comment Author | **Comment Summary** |
| ERCOT Steel Mills 040918 | Proposed a minimum risk factor of 1 rather than 0. |
| ERCOT 041818 | Proposed additional edits to align tables with the 4/9/18 ERCOT Steel Mills comments |

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| Market Rules Notes |

None

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| Proposed Other Binding Document Language Revision |

Electric Reliability Council of Texas, Inc. (ERCOT) administers Emergency Response Service (ERS) in accordance with Public Utility Commission of Texas (PUCT) Substantive Rule §25.507, Electric Reliability Council of Texas (ERCOT) Emergency Response Service (ERS)[[1]](#footnote-1) and the ERCOT Nodal Protocols. This document is intended to be consistent with these standards, but to the extent any conflict exists, the PUC Rule or Protocols control.

**A. Document Description**

This document describes the mechanism for procuring ERS and is considered an “Other Binding Document,” as that term is defined in the ERCOT Protocols.

**B. Change Control Process**

ERCOT Staff will provide a period for stakeholder review and comment for proposed revisions to this document as follows:

(1) ERCOT shall post proposed revisions to the Emergency Response Service Procurement Methodology to the ERCOT website.

(2) ERCOT shall also electronically notify stakeholders of the proposed revisions via the TAC and Others distribution list and define the comment period which shall be at least 14 days after initial posting.

(3) To receive consideration, comments should be submitted via email to [ERS@ercot.com](mailto:EILS@ercot.com) by the deadline set forth in the notification.

(4) Upon Market Participant written request, ERCOT will conduct a conference call and online review of the submitted comments.

(5) ERCOT will review proposed document revisions with the Technical Advisory Committee (TAC).

(6) ERCOT will submit proposed document revisions for ERCOT Board approval.

(7) Within three Business Days of ERCOT Board approval, ERCOT shall post the revised document to the ERCOT website.

**C. ERS Capacity Demand Curve**

ERCOT will develop a capacity demand curve for each ERS Time Period, and all ERS products will be procured together within the limits of that curve. ERCOT shall maximize the MW procured subject to the expenditure limit for the relevant Time Period. Each demand curve is derived from the three following parameters, which ERCOT will specify in the Request for Proposal (RFP) for ERS procurement:

(1) ERS Offer Cap

(2) ERS Time Period Capacity Inflection Point

(3) ERS Time Period Expenditure Limit

MW

$/MW/Hr

Offer Cap

Expenditure Limit

Capacity

Demand

Curve

Capacity

Inflection

Point

**D. ERS Offer Cap**

The ERS offer cap establishes a maximum possible procurement price of $80/MW/hr for every ERS Time Period during the ERS budget year. ERCOT will automatically reject any offers above the offer cap. This cap is consistent with the prices historically paid to Loads participating in TDSP Standard Offer Load Management Programs.

**E. ERS Expenditure Limit**

P.U.C. Substantive Rule 25.507 restricts ERCOT’s ERS expenditures to an annual cost cap of $50 million. ERCOT will allocate the $50 million available expenditure within its ERS budget year, which starts with the February through May Standard Contract Term and ends with the October through January Standard Contract Term. No later than 60 days before each new ERS budget year, ERCOT will make an initial allocation of the annual expenditure limit to each ERS Time Period in each ERS Standard Contract Term based on the expected risk of reaching an EEA in that ERS Time Period, in accordance with the formula detailed below. ERCOT will assign a high (H), moderate (M), or low (L) risk designation to each ERS Time Period and will assign a risk-weighting factor (a value from 1 to 100 with 1 being the lowest risk value and 100 being the highest risk value) for each risk designation. ERCOT’s risk assessment will consider a number of factors, including, but not limited to, forecasted operating reserves, forecasted Load, and Resource outage information.

Prior to issuing an RFP for an upcoming Standard Contract Term, ERCOT will update the ERS Time Period Expenditure Limits for each remaining ERS Time Period in the budget year to reflect updated forecasts and any expected remaining funds from ERS Standard Contract Terms within the same ERS budget year. Unless the offer submission deadline for the upcoming Standard Contract Term has passed, ERCOT may update the ERS Time Period Expenditure Limits and issue a revised RFP if funds originally allocated to the upcoming Standard Contract Term must be reallocated to fund an ERS renewal Contract Period in the current Standard Contract Term. Any funds remaining at the end of an ERS budget year will not be carried forward into a new ERS budget year.

For each ERS Time Period, the expenditure limit is calculated as follows:

Where

**F. Capacity Inflection Point**

The capacity inflection point establishes the point on the capacity demand curve where capacity can only be procured at an offer price less than the ERS Time Period offer cap while respecting the expenditure limit for that ERS Time Period. The capacity inflection point for each time period is calculated as follows:

Table A below provides hypothetical calculations of the expenditure limits and capacity inflection point for each ERS Time Period in each budget year.

 **Table A. ERS Time Period Expenditure Limit Allocation and Capacity Inflection Point Calculations**

**G. Clearing Price**

The highest offer accepted for an ERS Time Period from will set the clearing price for all ERS Resources cleared in that ERS Time Period. All ERS service types specified in the Protocols will be procured using a common ERS capacity demand curve for each ERS Time Period and the highest offer accepted for an ERS Time Period will set the clearing price for all ERS service types.

If the procurement of all offers at the same price for an ERS Time Period would exceed the ERS Expenditure Limit for that ERS Time Period, ERCOT shall consider each such offer in an order established at random.

If awarding an offer would not exceed the ERS Expenditure Limit that offer will be awarded for the full capacity offered.

If awarding an offer for the full amount of the offered capacity would exceed the ERS Expenditure Limit, the following steps will be taken:

(1) If awarding an offer for the full amount of the offered capacity would exceed the ERS Expenditure Limit, the following steps will be taken: If the QSE has indicated on its offer that capacity proration is not allowed for that ERS Resource, the offer will be rejected.

(2) If the QSE has indicated on its offer that capacity proration is allowed for that ERS Resource, and if the capacity following proration is greater than or equal to the Proration Lower Limit specified on the offer, the offer will be accepted and the prorated capacity will be awarded.

(3) If the QSE has indicated on its offer that capacity proration is allowed by the QSE for that ERS Resource, and if the prorated capacity is less than the Proration Lower Limit specified on the offer, the offer will be rejected.

**H. ERS Capacity provided through ERS Self Provision**

For any ERS self-provision, ERCOT will reduce the Time Period expenditure limit for any offers to self-provide part or all of a QSE’s ERS Obligation by the clearing price for ERS.

1. <http://www.puc.state.tx.us/agency/rulesnlaws/subrules/electric/25.507/25.507ei.aspx> [↑](#footnote-ref-1)