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| NPRR Number | [872](http://www.ercot.com/mktrules/issues/nprr872) | NPRR Title | Modifying the SASM Shadow Price Cap |
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| Date | | May 16, 2018 | |
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| Submitter’s Information | | | |
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| Cell Number | |  | |
| Market Segment | | Not applicable | |

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| Comments |

ERCOT submits these comments to raise potential topics for discussion with stakeholders while they consider Nodal Protocol Revision Request (NPRR) 872.

For the maximum Shadow Price curves, ERCOT believes there should be additional analysis and consideration by stakeholders regarding the percentages that define the breaks in the curve, as well as the maximum Shadow Price values themselves. This is specifically important for the maximum Shadow Price value based on the Day-Ahead Market (DAM) clearing price for the Ancillary Service. While the DAM price for an Ancillary Service may sometimes provide a reasonable approximation of the value of the Ancillary Service during the Adjustment Period, that may not always be an appropriate assumption. For example, when clearing prices in a Supplemental Ancillary Service Market (SASM) are higher than their DAM equivalents, it is a strong indication that expectations about Real-Time market outcomes for those Entities submitting Ancillary Service Offers have changed between the clearing of the DAM and the execution of the SASM. The current limitation of five times the DAM clearing price might not be sufficient to capture such changing expectations.

ERCOT would further encourage stakeholders to consider whether a similar maximum Shadow Price curve should be applied across all Ancillary Service types. As written in NPRR872, the curves have some variation above values of 75% of the requirement, and would likely have the same values for other portions of the curve. During discussions with the Supply Analysis Working Group (SAWG) regarding the potential implementation of Real-Time co-optimization of the energy and Ancillary Service markets, there was a concern that the value of Ancillary Services (or not being able to fully meet the desired amount of Ancillary Services) varied across the Ancillary Service types. ERCOT would encourage similar consideration and/or discussion with respect to this NPRR.

Currently, SASMs play a vital role in encouraging Qualified Scheduling Entities (QSEs) to move their Ancillary Service Obligations from a Resource that is incapable of delivering the Ancillary Service to one that can provide Ancillary Service. Thus, if NPRR872 is approved, language should be added requiring QSEs to move Ancillary Service Obligations from any Resources that are not capable of providing Ancillary Service to a Resource within their portfolio that can deliver the Ancillary Service. Given that the application of lower maximum Shadow Prices for Ancillary Services in a SASM increases the probability that the total Ancillary Service provided is less than the Ancillary Service requirement, there may be cases in which ERCOT may need to procure Ancillary Services through the Reliability Unit Commitment (RUC) process or by direct assignment.

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| Revised Cover Page Language |

None at this time

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| Revised Proposed Protocol Language |

None at this time