SCT Determination Summary for Directive 10, Emergency Condition Price Formation

Date: 6/04/2018

Market stakeholder input: QMWG 1/8/2018, 3/19/2018, 05/14/2018, 6/4/2018

QMWG action: On 1/8/18, QMWG discussed this topic; Market Participant feedback was solicited. No further action was taken. On 3/19/18, QMWG discussed this topic, including the filed comments, and additional information was provided. No further action was taken. On 5/14/18, QMWG discussed this topic and reviewed the whitepaper. This document was amended based on additional input. On 6/4/18, QMWG reviewed the whitepaper. This document was amended based on additional input.

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| **Directive #10 – Emergency condition Price Formation** | **ERCOT shall study price formation issues to determine whether, to avoid the flows over the DC ties adversely affecting price formation in the ERCOT wholesale market or otherwise causing outcomes inconsistent with a properly functioning energy market, any changes to pricing within the ERCOT market during emergencies are necessary. ERCOT shall certify to the Commission when it has completed these actions.** |

***ERCOT’s Determination:***

***NPRR768 made adjustments to the Real-Time Reliability Deployment Price Adder to mitigate out-of-market actions that may occur during emergency conditions in ERCOT, specifically those actions associated with ERCOT requests for DC Tie imports and Block Load Transfers. As part of stakeholder consideration of NPRR768, the language was amended to cap the MW adjustment made for emergency DC Tie imports at the capacity currently available across DC Ties (1250 MW). The ERCOT Board of Directors approved NPRR768 following a Technical Advisory Committee vote to recommend approval of the NPRR, and both the TAC and Board votes occurred after the PUC issued its order in Docket 45624 approving the CCN for Southern Cross DC Tie and after the PUC issued its order in Project 46303 requiring ERCOT to satisfy various directives relating to the project, including the present directive regarding price formation issues. Nevertheless, ERCOT notes that if the Southern Cross DC Tie is built and the ERCOT system has an emergency that requires ERCOT to request imports from all neighboring Balancing Authorities the imports could total as much as 3250 MW. In such an event, Real-Time prices would not reflect the full out-of-market action taken by ERCOT because the MW adjustment is capped at 1250 MW. ERCOT expects the 1250 MW cap may need to be reconsidered in the future. However, because stakeholders appear to have considered the effect of the Southern Cross DC Tie as part of their resolution of the issues in NPRR768, ERCOT does not believe that any changes to pricing mechanisms should be understood to be “necessary” at the present time.***

***ERCOT notes that stakeholder comments regarding Directive 10 have raised a variety of other pricing issues relating to transactions over any of the DC Ties. ERCOT suggests that stakeholders who seek consideration of these issues should submit NPRRs to address those issues so that they can be fully evaluated through the usual stakeholder process.***

* + QMWG consideration
    - Eric Goff, Chair of QSE Managers Working Group (QMWG) requested written comments from the Market Participant’s regarding what action, if any, needs to be taken in regards to Directive 10. Comments were received from four participants and are posted as agenda item #5 on the March QMWG meeting page (http://www.ercot.com/calendar/2018/3/19/144481-QMWG):
      * Rainbow Energy Marketing Corporation (REMC)
      * Luminant Generation
* Southern Cross Transmission
* Texas Industrial Energy Consumers (TIEC )
  + WMS consideration

WMS has voted and determined that …..

* + Related/emerging issues: