SCT Determination Summary for Directive 10, Emergency Condition Price Formation

Date: 8/08/2018

Market stakeholder input: QMWG 2/13/18/, 3/19/18, 05/19/18, 7/9/18

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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 (1,250 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.***

***Stakeholder comments regarding Directive 10 were submitted by Rainbow Energy Marketing Corporation (REMC), Southern Cross Transmission LLC (SCT), Luminant Generation Company LLC (Luminant), and Texas Industrial Energy Consumers (TIEC), raising the following price formation issues:[[1]](#footnote-1)***

* ***REMC proposed that when ERCOT curtails DC Tie exports or orders emergency DC Tie imports, these ERCOT out-of-market reliability actions must be: (1) accounted for in ORDC; (2) reflected in LMPs by using an “Extended LMP” or similar approach; and (3) until (2) is implemented, reflected in the Real-Time Reliability Deployment Price Adder;***
* ***SCT proposed the removal of the 1,250 MW cap adopted in NPRR 768;***
* ***Luminant proposed that the price adjustment mechanisms adopted in NPRR 626 be expanded to apply to circumstances of instructed curtailments of DC Tie exports during EEA;***
* ***TIEC suggested that no additional changes are necessary, but that if the 1,250 MW cap in NPRR 768 is removed, then (1) any price adjustments for imports over the SCT Tie should be allocated to SCT; and (2) the limitation in NPRR 768 that prevents negative price adjustments for emergency exports over DC Ties should be removed.***

***Because many of these issues were raised previously but not adopted during consideration of NPRRs 626 or 768, and there are no additional NPRRs related to these issues that are pending, the stakeholder process has not demonstrated that additional changes relating to price formation issues associated with potential out-of-market actions for DC Ties during emergencies are “necessary” at this time.***

***ERCOT is prepared to participate in the evaluation of the need for further proposed changes upon the submission of a NPRR by stakeholders seeking consideration of these issues, or upon direction from the Commission.***

1. <http://www.ercot.com/calendar/2018/3/19/144481-QMWG> [↑](#footnote-ref-1)