**Settlement Option 1 – Optional Switch**

* Non-ERCOT Control Area agrees to release the SWGR.
* ERCOT will request the SWGR to switch for an Emergency Condition.
* SWGR QSE will decide whether the SWGR will move from non-ERCOT Control Area into ERCOT.
* Settlement will be based on current Protocols.
* ERCOT may RUC the SWGR.

|  |  |
| --- | --- |
| **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**
	1. **Market participant exposure capped at $9,000/MWh**
 | 1. **ERCOT’s ability to maintain grid reliability may be at risk if the SWGR does not switch to ERCOT during emergency conditions.**
	1. **ERCOT prices/settlement may not be sufficient to cover SWGR switching costs, especially if the SWGR has obligations and opportunities in the non-ERCOT Control Area and the ERCOT emergency conditions are not a system-wide scarcity.**
2. **RUC Make-Whole Payments**
3. **ERCOT may have to RUC other resources if the SWGR chooses not to switch**
4. **Potential for PUCT/IMM withholding penalties if SWGR decides not to switch.**
 |

**Settlement Option 2 – Required Switch**

* + Non-ERCOT Control Area agrees to release the SWGR
	+ ERCOT will order the SWGR to switch for an Emergency Condition.
	+ SWGR required to switch to ERCOT if capable.
	+ Potential for additional settlement treatment to cover direct and verifiable switching costs

|  |  |
| --- | --- |
| **Potential Benefits** | **Potential Costs** |
| 1. **SWGR assured to be compensated for all direct and verifiable costs of switching.**
2. **Provides better incentive to SWGRs to make themselves available to ERCOT during emergency conditions**
3. **Allows ERCOT greater certainty that SWGR will be available to ERCOT to manage grid reliability**
4. **No opportunity for SWGR decision making to be questioned by either IMM/PUCT or FERC**
 | **1.    ERCOT market participants bear the following direct and verifiable costs that the SWGR could incur due to switching**1. **Capacity penalties**

  SWG cannot meet capacity obligations  Potential penalty = $1,200,0001. **Incremental start trip costs (during synchronous speed & no load)**

  Potential cost approx. $10,000 per start (industry average)1. **Gas penalties**

  Costs associated with missed scheduled gas burn  Potential storage and demand charges  Costs as high as $225,000 per hour1. **Breach of bilateral obligations/ Liquidated damages**

  Potential capacity replacement costs   Costs as high as $772,000 per hour1. **Right of private action exemption**

  Undefined1. **NERC violations**

  Potential costs as high as $1, 000,000 per day1. **Penalties imposed under PPA**

 **2. Potentially more expensive settlement implementation costs** **3.**  |

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