|  |  |  |  |
| --- | --- | --- | --- |
| VCMRR Number | [024](http://www.ercot.com/mktrules/issues/VCMRR024) | VCMRR Title | Allocation of Auxiliary Equipment Power Costs in Variable O&M |
| Date of Decision | September 4, 2019 |
| Action | Recommended Approval |
| Timeline | Normal |
| Proposed Effective Date | October 1, 2019 |
| Priority and Rank Assigned | Not Applicable |
| Verifiable Cost Manual Sections Requiring Revision  | 3.3, Startup Fuel Consumption4.3, Minimum Energy Fuel 9.1.1, Verifiable Operating Costs |
| Related Documents Requiring Revision/Related Revision Requests | None |
| Revision Description | This Verifiable Cost Manual Revision Request (VCMRR) clarifies that auxiliary equipment using power from third party service providers is recoverable as a variable cost through verifiable operating costs. Since all costs to run auxiliary equipment will be included in operations and maintenance expenses, it is no longer necessary to include startup and minimum energy fuel consumption. |
| 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 VCMRR maintains consistency between the Verifiable Cost Manual and the Protocols. While the vast majority of generation facilities are able to self-supply auxiliary power, this VCMRR recognizes there are limited exceptions when a generator is located in a non-competitive area and is subject to a retail tariff rate. As such, these generators would be permitted to recover the variable costs associated with auxiliary power provided by a third party through verifiable operating costs. |
| WMS Decision | On 8/7/19, WMS unanimously voted to recommend approval of VCMRR024 as submitted. All Market Segments were present for the vote.On 9/4/19, WMS unanimously voted to endorse and forward to TAC the 8/7/19 WMS Report and the Impact Analysis for VCMRR024. All Market Segments were present for the vote. |
| Summary of WMS Discussion | On 8/7/19, there was no discussion.On 9/4/19, there was no discussion. |

|  |
| --- |
| Sponsor |
| Name | Katie Rich / Mike Evans |
| E-mail Address | krich@gsec.coop / mevans@brazoselectric.com |
| Company | Golden Spread EC / Brazos EC |
| Phone Number | (806) 340-1060 / (254) 750-6392 |
| Cell Number |  |
| Market Segment | Cooperative |

|  |
| --- |
| **Market Rules Staff Contact** |
| **Name** | Jordan Troublefield |
| **E-Mail Address** | jordan.troublefield@ercot.com |
| **Phone Number** | 512-248-6521  |

|  |
| --- |
| **Comments Received** |
| **Comment Author** | **Comment Summary** |
| None |  |

|  |
| --- |
| Market Rules Notes |

None

|  |
| --- |
| Proposed Verifiable Cost Manual Language Revision |

**3.3** **Startup Fuel Consumption**

(1) Fuel consumed during a startup is defined as the fuel consumed from first fire through LSL plus the fuel consumed from breaker open through Shutdown (including auxiliary boiler fuel and auxiliary-equipment fuel), excluding normal plant heating.

(2) It is expected that the amount of fuel consumed will be different for each of the three start types. If available, historical data must be used to determine the typical amount of fuel consumed per start for each start type. This typical per-start fuel consumption is to be determined in accordance with the following rules:

(a) When possible, startup fuel consumption rates are to be based on the amount of fuel a Resource has historically consumed per start.

(b) For a Filing Entity that does not submit seasonal data, submitted historical usage data should, for each start type, include fuel consumption rates for the lesser of the last 10 starts or every start within the past three (3) years. For a Filing Entity that submits seasonal data, submitted historical usage data should, for each start type, include fuel consumption rates for the lesser of the last three (3) starts or every start within the past three years for each season. For each start type, the Filing Entity shall submit the historical fuel consumption data, an average amount of historical fuel consumption, and the fuel consumption rate that the Resource believes represents the current startup fuel consumption rate.

(c) If a Resource does not have the historical fuel consumption rates for each start described above, the Filing Entity must submit the aforementioned data that it does possess and may also include per-start fuel consumption rates based on manufacturer suggested values or tests which are ERCOT approved.

(d) If a Filing Entity submits historical startup fuel consumption data on a per hour basis (MMBtu/hour), it must also provide proof of the average number of hours it requires to reach LSL for each startup type.

(e) In its sole discretion, however, ERCOT may choose not to accept the Filing Entity’s submitted per-start fuel consumption rates if ERCOT determines that they do not represent a Resource’s true startup fuel consumption or that they have not been proven in sufficient detail.

(f) Historical fuel consumption rates must be based on documented metered reads when available.

**4.3 Minimum Energy Fuel**

(1) Minimum Energy Fuel is defined as fuel consumed by a Resource while operating at the Low Sustained Limit, including auxiliary equipment fuel but excluding normal plant heating. Minimum Energy Fuel is to be determined in accordance with the following:

(a) Filing Entities must submit resource-specific Input-Output (I/O) curves (MMBtu/Hr), including their corresponding equation coefficients, for the period from which their verifiable cost data was derived. ERCOT will calculate Average Heat Rate Curves utilizing these I/O equations. If fuel consumption at LSL varies by season, Filing Entities must submit seasonal I/O curves. More information on heat rates is provided below in Section 6, Verifiable Heat Rates.

(b) If available, submitted historical usage data should include fuel consumption rates for the last 25 periods a Resource operated at the LSL.

(c) If a Resource does not have the historical fuel consumption rates for all of the deployments described above, the Filing Entity must submit the aforementioned data that it does possess and may also include a fuel consumption rate at LSL (MMBtu/hour) based on manufacturer suggested values or actual tests which are ERCOT approved.

(d) In its sole discretion, however, ERCOT may choose not to accept the Resource’s fuel consumption rate at LSL submitted by the Filing Entity if ERCOT determines that it does not represent a Resource’s “true” fuel consumption at LSL or that it has not been proven in sufficient detail.

***9.1.1*** ***Verifiable Operating Costs***

(1) Operating costs are the non-fuel costs incurred while a Resource is operated, whether incurred during startup or at different output levels. These costs may include, for example, labor costs, the cost of consumables and non-durable goods, costs related to emissions, water costs, electrical costs to run auxiliary equipment as applicable to periods when the Resource is operating, etc.

(2) ERCOT will only approve operating costs that are incremental costs; fixed operating costs will be rejected. Additionally, ERCOT will only approve submitted operating costs to the extent that they reasonably represent the incremental operating costs at the stage of the power generation cycle for which they are submitted (startup, operation at LSL, or operation above LSL). For example, ERCOT might approve the wages paid to on-call, hourly employees that are needed to help start a Resource. On the other hand, ERCOT would not approve labor costs that are incurred regardless of an incremental deployment (such as those associated with salaried, on-call employees). The reasonableness of an allocation is highly dependent on individual circumstances; thus, ERCOT will make this determination on a case-by-case basis. In making this determination, ERCOT will consider factors such as whether a Resource’s operating costs relate to starting the unit or running at different operating levels, follow industry standards, and coincide with manufacturer expectations.