

POSSIBILITY OF STANDARDIZING HOW/WHEN
AN OCN IS ANNOUNCED

RON MCNAMARA

- LOOKING AT THE ERCOT ELECTRICITY MARKET SOLELY FROM THE PERSPECTIVE OF ECONOMICS THERE ARE A NUMBER OF INTERESTING DESIGN FEATURES.
 - LARGE DIVERSE GEOGRAPHICAL MARKETPLACE WITH POTENTIALLY VERY DIVERGENT WEATHER AND LOAD CHARACTERISTICS AT ANY POINT IN TIME.
 - HIGH (AND INCREASING) PERCENTAGE OF RENEWABLE/INTERMITTENT GENERATION SOURCES.
 - PRESENTLY NO CO-OPTIMIZATION OF ENERGY AND ANCILLARY SERVICES.
 - MARGINAL LOSSES NOT REFLECTED IN PRICE.
 - UNIQUE CAPACITY MARKET CONSTRUCT.
 - SHOULD HIGH PRICES PLUS ORDC AND RTDP ADDERS GIVE A DIFFERENT RESULT THAN A (PROPERLY CONSTRUCTED) CAPACITY MARKET? WHY OR WHY NOT?
 - \$9000 PRICE CAP
- THE \$9000 PRICE CAP PLUS THE ORDC AND RTDP ADDERS ARE PARTICULARLY RELEVANT BECAUSE THEY HAVE THE CAPABILITY OF PUTTING THE SYSTEM, THE MARKET, IN SEVERE “STRESS”.
 - THE RISK ENVIRONMENT IN ERCOT IS, AS A RESULT, VERY DIFFERENT IN ERCOT THAN IT IS IN OTHER MARKETS.
 - THIS IS NOT NECESSARILY A “BAD” THING BUT IT DOES IMPLY THAT MARKET OUTCOMES — BOTH REALIZED AND POTENTIAL — ARE REVIEWED.
 - IN PARTICULAR, THE POTENTIAL OF VERY LARGE SWINGS IN PRICES — BOTH ACTUAL AND EXPECTED — SUGGESTS THAT ANYTHING THAT CAN BE DONE TO IMPROVE INFORMATION AND REDUCE UNCERTAINTY IN THE MARKET WILL NECESSARILY IMPROVE MARKET OUTCOMES AS MEASURED IN TERMS OF SOCIAL WELFARE.

- “AFTER THE USE OF MARKET PROCESSES TO THE FULLEST EXTENT PRACTICABLE WITHOUT JEOPARDIZING THE RELIABILITY OF THE ERCOT SYSTEM, ANY ERCOT DISPATCH INSTRUCTIONS FOR ADDITIONAL CAPACITY THAT ORDER A QSE TO COMMIT A SPECIFIC GENERATION RESOURCE TO BE ON-LINE SHALL BE CONSIDERED A RUC DISPATCH FOR THE PURPOSE OF THE SETTLEMENT OF PAYMENTS AND CHARGES RELATED TO THE COMMITTED GENERATION RESOURCE. AN OPERATING CONDITION NOTICE (OCN), ADVISORY, WATCH, OR EMERGENCY NOTICE REQUESTING THE AVAILABLE CAPACITY OF ANY CURRENTLY AVAILABLE GENERATION RESOURCES BUT NOT NAMING SPECIFIC GENERATION RESOURCES IS NOT CONSIDERED A RUC DISPATCH FOR PURPOSES OF SETTLEMENT.”
- BY DEFINITION CALLING AN OCN REPRESENTS, AT BEST, A “DEPARTURE” FROM THE MARKET. IN EFFECT, THE MARKET HAS BEEN SUPERSEDED.
 - YET DISPATCH OCCURS, LOAD IS MET, LMPs ARE CALCULATED, TRANSACTIONS ARE FULFILLED, AND CONTRACTS ARE SETTLED.
 - NEVERTHELESS, THERE HAS BEEN A “SUSPENSION” OF SORTS OF THE ORIGINAL MARKET FOR THAT TIME PERIOD.
 - INFORMATION HAS CHANGED.
 - EXPECTATIONS HAVE CHANGED.
 - PRICES WILL BE DIFFERENT.
- THE BETTER THE MARKET UNDERSTANDS (1) THE CONDITIONS UNDER WHICH AN OCN WILL BE CALLED, AND (2) WHEN AN OCN WILL BE CALLED, THE BETTER THIS INFORMATION CAN BE INCORPORATED INTO EXPECTATIONS AND THE MORE CLOSELY MARKET OUTCOMES WILL ALIGN WITH THE ACTIONS THE DISPATCHER MUST TAKE IN ORDER TO ENSURE RELIABLE OPERATIONS.
- DISPATCHING THE SYSTEM IS BOTH AN ART AND A SCIENCE AND THE KEY IS TO ACHIEVE THE PROPER BALANCE BETWEEN OPERATOR DISCRETION AND ADMINISTRATIVE RULES.
- TO THE EXTENT THAT THE DETAILS BEHIND THE CALLING OF AN OCN AS WELL AS THE PROCESS AND TIMING OF CALLING THE OCN ARE TRANSPARENT, REPLICABLE AND AUDITABLE, THE MORE EFFICIENT THE MARKET OUTCOMES WILL BE.
 - THE \$9000 PRICE CAP IN COMBINATION WITH THE ORDC AND RTDP ADDERS NECESSITATES THAT UNNECESSARY UNCERTAINTY AND VOLATILITY BE AVOIDED.