

LONG DESCRIPTION: Upon ERCOT's determination of the disposition of an Alternative Dispute Resolution (ADR) proceeding, ERCOT Protocol Section 20.9 requires ERCOT to issue a Market Notice providing a description of the relevant facts, a list of the parties involved in the dispute, and ERCOT's disposition of the proceeding and reasoning in support thereof.

Parties: ERCOT and Lower Colorado River Authority (LCRA)

Relevant Facts:

On Operating Days August 13 and 15, 2019, LCRA incurred Base Point Deviation Charges for certain of its Generation Resources. LCRA's ADR request seeks reimbursement of the Base Point Deviation Charges incurred on both days. LCRA asserts it should be reimbursed because ERCOT verbally instructed LCRA to remain On-Line and generating during the periods in which it incurred the Base Point Deviation Charges.

On August 13, 2019, ERCOT deployed Responsive Reserve Service (RRS) at 14:35. Shortly thereafter, LCRA began providing generation from certain of its hydro units with RRS obligations; these units were in ONRR status at this time. ONRR status refers to an On-Line synchronous condenser unit providing RRS that is available for commitment by Reliability Unit Commitment (RUC), but unavailable for Dispatch by Security-Constrained Economic Dispatch (SCED). At 15:10, ERCOT declared an Energy Emergency Alert (EEA) Level 1. At 16:02, ERCOT recalled all RRS. Thereafter, however, LCRA's hydro units continued to generate in ONRR status until approximately 16:39; the units incurred Base Point Deviation Charges during this period. At 16:26, LCRA contacted ERCOT operations and asked to take two of its hydro units "offline." The ERCOT operator stated that ERCOT would "prefer" the units remain on. LCRA again contacted ERCOT operations at 16:36, asking if five of its hydro units that had RRS obligations were "required" to "remain online." The ERCOT operator again responded that ERCOT would "prefer" that LCRA kept them On-Line. LCRA then asked for an "operating instruction" to that effect. In response, the ERCOT Resource desk issued a Verbal Dispatch Instruction (VDI) at 16:40 to keep the five LCRA hydro units On-Line. Thereafter, the ERCOT RUC desk contacted LCRA to let it know it had issued a VDI at 16:46 for the five units to remain online. ERCOT cancelled the EEA at 17:00. At 17:09, the ERCOT RUC desk called LCRA to confirm that ERCOT issued a VDI at 16:46 "for hour ending 17:00" for those units to remain On-Line for system capacity. During that call, at 17:13, LCRA requested permission to take the units "offline" so it could "restore the responsive reserve back on those units." ERCOT responded that this was permissible. LCRA then stated it would be taking the units "offline for generation" and placing them "in condenser mode for responsive reserve."

For Operating Day August 13, 2019, five LCRA hydro units incurred Base Point Deviation Charges for the 15-minute Settlement Intervals ending 16:30 and 16:45 because they continued to generate in ONRR status until 16:39, even though all RRS had been recalled by ERCOT. As explained in Section 4 of ERCOT Business Practice Manual "Current Operating Plan Practices by Qualified Scheduling Entities," a unit in ONRR status will receive a Base Point equal to its output when RRS is deployed, and equal to zero when RRS is not deployed. Accordingly, LCRA's units incurred Base Point Deviation Charges for the two Settlement Intervals in which there was no RRS deployment because

they continued to generate while in ONRR status. The disputed Base Point Deviation Charges incurred by LCRA for Operating Day August 13, 2019, totaled \$199,675.21.

On August 15, 2019, ERCOT deployed RRS at 14:48. ERCOT declared an EEA Level 1 at 15:05. Shortly thereafter, LCRA began providing generation from certain of its hydro units with RRS obligations; these units were in ONRR status at this time. At 15:39, LCRA contacted ERCOT operations and asked to take two of its hydro units with RRS obligations to synchronous condenser mode. ERCOT did not grant LCRA permission to take that action. At 15:50, ERCOT issued a VDI for LCRA to keep the two hydro units On-Line for Hours Ending 16:00 and 17:00. At 16:41, ERCOT recalled all RRS; however, the two LCRA hydro units continued to generate while those units remained in ONRR status until approximately 17:06. ERCOT cancelled the EEA at 17:02.

For Operating Day August 15, 2019, two LCRA hydro units incurred Base Point Deviation Charges for the 15-minute Settlement Intervals ending 17:00 and 17:15. As with the charges for August 13, 2019, the August 15, 2019, Base Point Deviation Charges were incurred due to LCRA's hydro units continuing to generate while in ONRR status, even though all RRS had been recalled. The disputed Base Point Deviation Charges incurred by LCRA for Operating Day August 15, 2019, totaled \$69,617.15.

ERCOT's Disposition/Reasoning:

ERCOT has determined that the appropriate disposition of this ADR proceeding is to approve, in part, LCRA's request for relief.

ERCOT misapplied Protocol Section 6.6.5.1(1), Resource Base Point Deviation Charge, when it imposed Base Point Deviation Charges on LCRA for the 15-minute Settlement Interval ending 17:00 on Operating Day August 15, 2019. Protocol Section 6.6.5.1(1) states that a Qualified Scheduling Entity (QSE) for a Generation Resource must pay a Base Point Deviation Charge if it "did not follow Dispatch Instructions and Ancillary Service deployments within defined tolerances." For the 15-minute Settlement Interval ending 17:00 on August 15, 2019, however, LCRA was following a Dispatch Instruction—issued by ERCOT at 15:50—to stay On-Line and generating through Hour Ending 17:00. Nodal Operating Guide 2.3.1.2(5) provides that "ERCOT, at its sole discretion, may request that the hydro Generation Resource(s) remain On-Line and generating after an initial deployment [of RRS]." Despite the Dispatch Instruction issued at 15:50, ERCOT systems automatically calculated a Base Point Deviation Charge for LCRA for the Settlement Interval ending 17:00 for Operating Day August 15, 2019, because during that interval LCRA's units were in ONRR status and there was no RRS deployment. In such a case, the units' Base Points are automatically set to zero in ERCOT's systems. Because ERCOT's automated systems did not take into account ERCOT's 15:50 Dispatch Instruction, LCRA incorrectly incurred a Base Point Deviation Charge. Given this, ERCOT is granting LCRA's ADR request for reimbursement of the Base Point Deviation Charges incurred for the 15-minute Settlement Interval ending 17:00 on August 15, 2019. These charges total \$53,407.23.

With respect to the other three Settlement Intervals for which LCRA incurred Base Point Deviation Charges for the Operating Days at issue, ERCOT has determined that there is no basis to grant LCRA's request for reimbursement. Unlike the Settlement Interval ending 17:00 on August 15, 2019, ERCOT has determined that LCRA was under no Dispatch Instruction from ERCOT to continue generating

during these three Settlement Intervals. Further, because the units that incurred the Base Point Deviation Charges were in ONRR status and there was no RRS deployment during these intervals, they were properly assigned Base Points of zero, as required by ERCOT Business Practice Manual “Current Operating Plan Practices by Qualified Scheduling Entities.” Accordingly, ERCOT did not violate any Protocol or Other Binding Document (OBD) provision when it imposed Base Point Deviation Charges for the two 15-minute Settlement Intervals at issue on Operating Day August 13, 2019, and the 15-minute Settlement Interval ending 17:15 on Operating Day August 15, 2019.

LCRA asserts it should not have to incur any Base Point Deviation Charges for the Operating Days at issue because it acted in good faith, given the unusual circumstances of the EEAs, by continuing to have its hydro units generate after RRS had been recalled because ERCOT remained in an EEA after the recall of RRS. In support of its actions, LCRA points to Operating Guide Section 4.5.3.2(1)(i), which provides that during an EEA “QSEs shall not remove an On-Line Generation Resource without prior ERCOT authorization unless such actions would violate safety, equipment, or regulatory or statutory requirements.” LCRA asserts that once it began running its hydro units pursuant to the RRS deployment, it was not clear it could stop generating when RRS was recalled without running afoul of the foregoing requirement because the EEA was still in effect.

ERCOT notes, however, that LCRA would not have violated Operating Guide Section 4.5.3.2(1)(i) by returning to synchronous condenser mode following the recall of RRS and remaining in ONRR status, awaiting another possible RRS deployment. Protocol Section 3.9.1(5)(b)(i)(K) makes clear that ONRR is an On-Line status, so returning to synchronous condenser mode but remaining in ONRR status would not have been considered “remov[ing] an On-Line Generation Resource” in violation of Operating Guide Section 4.5.3.2(1)(i). From an operational perspective, ERCOT would expect hydro units with an RRS obligation to return to preparing for another RRS deployment after RRS has been recalled, unless ERCOT, in its sole discretion, issues a specific Dispatch Instruction under Operating Guide Section 2.3.1.2(5) for the hydro unit to “remain On-Line *and generating*.”

ERCOT recognizes that communications between ERCOT and LCRA operators on Operating Day August 13, 2019, could have been clearer. For example, at 16:26, LCRA requested permission to take two of its hydro units Off-Line following the recall of RRS, but during the EEA Level I event. ERCOT responded that it would “prefer” that the units stay online. LCRA asserts that ERCOT’s response at 16:26 was an instruction by ERCOT for LCRA to keep their hydro units “On-Line and generating” under Operating Guide Section 2.3.1.2(5), which LCRA then did. LCRA contends that ERCOT’s intention for the 16:26 call to have been a VDI for LCRA to remain “On-Line and generating” for the entire hour ending 17:00 is further supported by the subsequent VDI issued by the ERCOT RUC desk for “hour ending 17:00.” LCRA is incorrect. First, the ERCOT operator’s response that it would “prefer” the LCRA units to remain On-Line, when asked by LCRA if the units could go Off-Line, conformed with the requirement in Operating Guide Section 4.5.3.2(1)(i), and could have been satisfied by LCRA taking the hydro units back to synchronous condenser mode and staying in ONRR status—it was not a Dispatch Instruction for LCRA to remain On-Line *and generating*. Further, the 16:26 call did not constitute a VDI under Nodal Operating Guide Section 3.1.3, which sets forth the requirements for Dispatch Instructions. To constitute a VDI from ERCOT, there must be a three-part communication: ERCOT must communicate a specific instruction, the QSE must repeat back the VDI to ERCOT (not necessarily verbatim), and ERCOT must confirm the response is correct. Here, no such three-part communication took place on

August 13, 2019, until the ERCOT Resource desk issued a VDI at 16:40. Finally, when the ERCOT RUC desk confirmed that it had issued VDIs for the LCRA units to remain online for “hour ending 17:00,” this was not a confirmation that ERCOT had intended for those units to be On-Line and generating for the entire hour. Rather, when the ERCOT RUC Desk confirmed its VDIs, it noted that it had issued the VDIs at 16:46.

ERCOT is sympathetic to LCRA’s position that governing Protocol and OBD language, as well as the imprecise communications by both parties during the EEA events, resulted in a lack of clarity as to how LCRA was required to operate its hydro units on Operating Days August 13 and 15, 2019. However, ERCOT can only grant relief in the ADR process if it determines that ERCOT acted in violation of or misinterpreted an ERCOT Protocol or OBD. Here, with the exception of the 15-minute Settlement Interval ending 17:00 on Operating Day August 15, 2019, ERCOT did not act contrary to any ERCOT Protocols or OBDs with respect to the Base Point Deviation Charges incurred by LCRA on the Operating Days at issue. Finally, ERCOT notes that stakeholders are always able to propose Protocol or OBD revisions, or seek a formal ERCOT interpretation, if they believe current language is unclear.

Pursuant to ERCOT Protocol Section 20.10.1(1), with respect to Settlement Interval ending 17:00 on Operating Day August 15, 2019, ERCOT will make the adjustment required to resolve this ADR through the issuance of Resettlement Statements to impacted Market Participants. ERCOT will issue a separate Market Notice upon issuance of those Resettlement Statements.

This Market Notice serves to conclude the ADR proceedings between ERCOT and LCRA.