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| NPRR Number | [1058](http://www.ercot.com/mktrules/issues/NPRR1058) | NPRR Title | Resource Offer Modernization for Real-Time Co-Optimization |
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| Date | December 21, 2020 |
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| Submitter’s Information |
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| Market Segment | Not applicable |

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| Comments |

The IMM appreciates the opportunity to provide comments on this Energy Offer Curve (“EOC”) timeline proposal, including revised language for two items. With these revisions, we support the offer flexibility contemplated by the sponsors. Market inefficiencies would either persist or be introduced if approved as submitted, as described below.

1. The first revision is to require that Qualified Scheduling Entities (QSEs) submit a reasoned justification for updating their offers after the end of the Adjustment Period. In this way, the IMM can effectively monitor late updates to ensure that the competitiveness and efficiency of the Real-Time Market (RTM) is not impacted, particularly since the RTM is designed to mitigate local market power but not more system-wide conditions.
2. The second revision removes the capacity factor multiplier for Mitigated Offer Caps. Suppliers in perfectly competitive markets will offer at prices equal to their short run marginal costs (i.e., the incremental costs incurred to produce additional output). Fixed cost recovery is reserved for intervals in which a Resource’s short-run marginal costs are below the clearing price. Mitigated Offer Caps serve to stand in for offers in non-competitive situations. Since the operations and maintenance (O&M) component of Mitigated Offer Caps indirectly reflect the capacity factor of the unit, there is no need for a multiplier. The multiplier can, therefore, only exist to recover fixed costs.

In addition, offers are “locked” at the end of the Adjustment Period, a mechanism that currently functions as a type of mitigation for unanticipated scarcity or congestion events. Entities with market power do not currently have the flexibility to react to discrete opportunities to exercise it without risking losing out on production in other intervals. Increased offer flexibility changes this, and so to the extent there is excess in the Mitigated Offer Caps, the caps should be tightened if the protection that the EOC lock-out period provides is removed.

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| Revised Cover Page Language |

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| Nodal Protocol Sections Requiring Revision  | 4.4.9.3, Energy Offer Curve4.4.9.3.1, Energy Offer Curve Criteria4.4.9.4.1, Mitigated Offer Cap6.4.3.1, RTM Energy Bids |

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| Revised Proposed Protocol Language |

4.4.9.3 Energy Offer Curve

(1) The Energy Offer Curve represents the QSE’s willingness to sell energy at or above a certain price and at a certain quantity in the DAM or its willingness to be dispatched by SCED in Real-Time Operations.

(2) A QSE may submit Resource-specific Energy Offer Curves to ERCOT. Such Energy Offer Curves will be bounded in the DAM for each Operating Hour by the LSL and HSL of the Generation Resource specified in the COP, and bounded in SCED by the LSL and HSL of the Generation Resource as shown by telemetry.

(3) Energy Offer Curves remain active for the offered period until either:

(a) Selected by ERCOT; or

(b) Automatically inactivated by the software at the offer expiration time selected by the QSE.

(4) For any Operating Hour, the QSE for a Resource may submit or change Energy Offer Curves at any time prior to SCED execution, and SCED will use the latest updated Energy Offer Curve available in the system. The QSE must provide a brief freeform reason at the time of the submission of the Energy Offer Curve if submitted after the end of the Adjustment Period. Such reason will not be included in disclosure reporting. If a new Energy Offer Curve is not deemed to be valid, then the most recent valid Energy Offer Curve available in the system at the time of SCED execution will be used and ERCOT will notify the QSE that the invalid Energy Offer Curve was rejected. Once an Operating Hour ends, an Energy Offer Curve for that hour cannot be submitted, updated, or canceled.

(5) A QSE may withdraw an Energy Offer Curve if:

(a) An Output Schedule is submitted for all intervals for which an Energy Offer Curve is withdrawn; or

(b) The Resource is forced Off-Line and notifies ERCOT of the Forced Outage by changing the Resource Status appropriately and updating its COP.

(5) For any Operating Hour that is a RUC-Committed Interval or a DAM-Committed Interval for a Resource, a QSE for that Resource may not change a Startup Offer or Minimum-Energy Offer.

(6) If a valid Energy Offer Curve or an Output Schedule does not exist for a Resource that has a status of On-Line at the end of the Adjustment Period, then ERCOT shall notify the QSE and set the Output Schedule equal to the then current telemetered output of the Resource until an Output Schedule or Energy Offer Curve is submitted in a subsequent Adjustment Period.

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4.4.9.3.1 Energy Offer Curve Criteria

(1) Each Energy Offer Curve must be reported by a QSE and must include the following information:

(a) The selling QSE;

(b) The Resource represented by the QSE from which the offer would be supplied;

(c) A monotonically increasing offer curve for both price (in $/MWh) and quantity (in MW) with no more than ten price/quantity pairs;

(d) The first and last hour of the Offer;

(e) The expiration time and date of the offer;

(f) List of Ancillary Service Offers from the same Resource;

(g) Inclusive or exclusive designation relative to other DAM offers;

(h) Percentage of FIP and percentage of FOP for generation above LSL subject to the sum of the percentages not exceeding 100%; and

(i) Reason for update of the offer, if submitting after the end of the Adjustment Period.

(2) An Energy Offer Curve must be within the range of -$250.00 per MWh and the SWCAP in dollars per MWh. The software systems must be able to provide ERCOT with the ability to enter Resource-specific Energy Offer Curve floors and caps.

(3) The minimum amount per Resource for each Energy Offer Curve that may be offered is one MW.

4.4.9.4.1 Mitigated Offer Cap

(1) Energy Offer Curves may be subject to mitigation in Real-Time operations under Section 6.5.7.3, Security Constrained Economic Dispatch, using a Mitigated Offer Cap (MOC). ERCOT shall construct an incremental MOC curve in accordance with Section 6.5.7.3 such that each point on the MOC curve is calculated as follows:

MOC *q, r, h* = Max [GIHR *q, r* \* Max(FIP, WAFP *q, r, h*), (IHR *q, r* \* FPRC *q, r* + OM *q, r*) ]

Where,

If a QSE has submitted an Energy Offer Curve on behalf of a Generation Resource and the Generation Resource has approved verifiable costs, then

FPRC *q, r* = Max(WAFP *q, r, h*, FIP + FA *q, r*) \* RTPERFIP *q, r* / 100 + FOP \* RTPERFOP *q, r* / 100

If a QSE has not submitted an Energy Offer Curve on behalf of a Generation Resource and the Generation Resource has approved verifiable costs, then

FPRC *q, r* = Max(WAFP *q, r, h*, FIP + FA *q, r*) \* GASPEROL *q, r* / 100 + FOP \* OILPEROL *q, r* / 100 + (SFP + FA *q, r*) \* SFPEROL *q, r* / 100

The above variables are defined as follows:

| Variable | Unit | Definition |
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| MOC *q, r, h* | $/MWh | *Mitigated Offer Cap per Resource*—The MOC for Resource *r*, for the hour. Where for a Combined Cycle Train, the Resource *r* is a Combined Cycle Generation Resource within the Combined Cycle Train. |
| GIHR *q, r* | MMBtu/MWh | *Generic Incremental Heat Rate*—The generic, single-value, incremental heat rate. For Generation Resources with a Commercial Operations Date on or before January 1, 2004, the generic incremental heat rate shall be set to 10.5. For Generation Resources that have a Commercial Operations Date after January 1, 2004, this value shall be set to 14.5. Where for a Combined Cycle Train, the Resource *r* is a Combined Cycle Generation Resource within the Combined Cycle Train. |
| IHR *q, r* | MMBtu/MWh | *Verifiable Incremental Heat Rate per Resource*—The verifiable incremental heat rate curve for Resource *r,* as approved in the verifiable cost process. Where for a Combined Cycle Train, the Resource *r* is a Combined Cycle Generation Resource within the Combined Cycle Train. |
| FIP | $/MMBtu | *Fuel Index Price*—The natural gas index price as defined in Section 2.1, Definitions. |
| RTPERFIP *q, r* | none | *Fuel Index Price Percentage*—The percentage of natural gas used by Resource *r* to operate above LSL, as submitted with the energy offer curve. |
| FOP | $/MMBtu | *Fuel Oil Price*—The fuel oil index price as defined in Section 2.1. |
| RTPERFOP *q, r* | none | *Fuel Oil Price Percentage*—The percentage of fuel oil used by Resource *r* to operate above LSL, as submitted with the energy offer curve. |
| SFP | $/MMBtu | *Solid Fuel Price—*The solid fuel index price is $1.50.  |
| FPRC *q, r* | $/MMBtu | *Fuel Price Calculated per Resource*—The calculated index price for fuel for the Resource based on the Resources fuel mix. Where for a Combined Cycle Train, the Resource r is a Combined Cycle Generation Resource within the Combined Cycle Train.  |
| GASPEROL *q, r* | none | *Percent of Natural Gas to Operate Above LSL*—The percentage of natural gas used by Resource *r* to operate above LSL, as approved in the verifiable cost process. Where for a Combined Cycle Train, the Resource r is a Combined Cycle Generation Resource within the Combined Cycle Train. |
| OILPEROL *q, r* | none | *Percent of Oil to Operate Above LSL*—The percentage of fuel oil used by Resource *r* to operate above LSL, as approved in the verifiable cost process. Where for a Combined Cycle Train, the Resource r is a Combined Cycle Generation Resource within the Combined Cycle Train. |
| SFPEROL *q, r* | none | *Percent of Solid Fuel to Operate Above LSL*—The percentage of solid fuel used by Resource *r* to operate above LSL, as approved in the verifiable cost process. Where for a Combined Cycle Train, the Resource r is a Combined Cycle Generation Resource within the Combined Cycle Train. |
| FA *q, r* | $/MMBtu | *Fuel Adder*—The fuel adder is the average cost above the index price Resource *r* has paid to obtain fuel. Where for a Combined Cycle Train, the Resource *r* is a Combined Cycle Generation Resource within the Combined Cycle Train. See the Verifiable Cost Manual for additional information. |
| OM *q, r* | $/MWh | *Variable Operations and Maintenance Cost above LSL*—The O&M cost for Resource *r* to operate above LSL, including an adjustment for emissions costs, as approved in the verifiable cost process. Where for a Combined Cycle Train, the Resource r is a Combined Cycle Generation Resource within the Combined Cycle Train. See the Verifiable Cost Manual for additional information. |
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| WAFP *q, r, h* | $/MMBtu | *Weighted Average Fuel Price*—The volume-weighted average intraday, same-day and spot price of fuel submitted to ERCOT during the Adjustment Period for a specific Resource and specific hour within the Operating Day, as described in paragraph (1)(f) below.  |
| *q* | none | A QSE. |
| *r* | none | A Generation Resource. |
| *h* | none | The Operating Hour.  |

(a) For a Resource contracted by ERCOT under paragraph (2) of Section 6.5.1.1, ERCOT Control Area Authority, ERCOT shall increase the O&M cost such that every point on the MOC curve is greater than the SWCAP in $/MWh.

(b) The MOC for Energy Storage Resources shall be calculated in accordance with Verifiable Cost Manual Appendix 10, Procedures for Evaluating Costs and Caps for Energy Storage Resources.

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| ***[NPRR986: Replace paragraph (b) above with the following upon system implementation:]***(b) Notwithstanding the MOC calculation described in paragraph (1) above, the MOC for ESRs shall be set at the SWCAP. No later than December 31, 2023, ERCOT and stakeholders shall submit a report to TAC that includes a recommendation to continue the existing approach or a proposal to implement an alternative approach to determine the MOC for ESRs. |

(c) For Quick Start Generation Resources (QSGRs) the MOC shall be adjusted in accordance with Verifiable Cost Manual Appendix 7, Calculation of the Variable O&M Value and Incremental Heat Rate used in Real Time Mitigation for Quick Start Generation Resources (QSGRs).

(d) During the Adjustment Period, a QSE representing a Resource may submit Exceptional Fuel Cost as a volume-weighted average fuel price for use in the MOC calculation for that Resource. To qualify as Exceptional Fuel Cost, the submission must meet the following conditions:

(i) For all Resources, the weighted average fuel price must exceed FIP for the applicable Operating Day, plus a threshold parameter value of $1/MMBtu, plus the applicable fuel adder. For Resources without approved verifiable costs, the fuel adder will be set to the default value assigned to Resources with approved verifiable costs, as defined in the Verifiable Cost Manual. The threshold parameter value in this paragraph shall be recommended by the Wholesale Market Subcommittee (WMS) and approved by the Technical Advisory Committee (TAC). ERCOT shall update the threshold value on the first day of the month following TAC approval unless otherwise directed by the TAC. ERCOT shall provide a Market Notice prior to implementation of a revised parameter value.

(ii) Fixed cost (fees, penalties and similar non-gas costs) may not be included in the calculation of the weighted average fuel price.

(iii) All intra-day, same day, and spot fuel purchases must be included in the calculation of the weighted average fuel price in paragraph (1) above. These must account for at least 10% of the total fuel volume burned by the applicable Resource for the hour for which the weighted average fuel price is computed. As noted in paragraph (l) below, the methodology used in the allocation of the cost and volume of purchased fuel to the Resource for the hour is subject to validation by ERCOT.

(iv) Weighted average fuel prices must be submitted individually for each Operating Hour for which they are applicable. Values submitted outside of the Adjustment Period will be rejected and not used in the calculation of the MOC for the designated Operating Hour.

(e) ERCOT may notify the Independent Market Monitor (IMM) if a QSE submits an Exceptional Fuel Cost.

(f) No later than five Business Days after an Operating Day for which an Exceptional Fuel Cost is submitted, ERCOT shall issue a Market Notice indicating the affected Operating Hours and the number of Resources for which a QSE submitted Exceptional Fuel Cost for a particular Operating Day.

(g) No later than 1700 Central Prevailing Time (CPT) on the 15th day following an Exceptional Fuel Cost submission, the submitting QSE shall provide ERCOT with the calculation of the weighted average fuel price, intraday or same-day fuel purchases, and any available supporting documentation. Such information may include, but is not be limited to, documents of the following nature: relevant contracts between the QSE or Resource Entity and fuel supplier, trade logs, transportation, storage, balancing and distribution agreements, calculation of the weighted average fuel price, or any other documentation necessary to support the Exceptional Fuel Cost price and volume for the applicable period(s).

(h) No later than 1700 Central Prevailing Time (CPT) on the 60th day following an Exceptional Fuel Cost submission, the submitting QSE shall provide ERCOT with all supporting documentation not previously provided to ERCOT. No supporting documentation will be accepted after the 60th day.

(i) The accuracy of submitted Exceptional Fuel Cost and the need for purchasing intraday or same-day gas must be attested to by a duly authorized officer or agent of the QSE representing the Resource. The attestation must be provided in a standardized format acceptable to ERCOT and submitted with the other documentation described in paragraph (i) above.

(j) ERCOT will use the supporting documentation to validate the Exceptional Fuel Cost for the applicable period. Validation will include, but not be limited to, the cost and the quantity of purchased fuel, Resource-specific heat rates, and the methodology used in the allocation of the cost and volume of purchased fuel to the Resource for the applicable hour used in the weighted average fuel price calculation. In connection with the validation process ERCOT may request additional documentation or clarification of previously submitted documentation. Such requests must be honored within ten Business Days.

(k) At ERCOT’s sole discretion, submission and follow-up information deadlines may be extended on a case-by-case basis.

**6.4.3.1 RTM Energy Bids**

(1) An RTM Energy Bid represents the willingness to buy energy at or below a certain price, not to exceed the System-Wide Offer Cap (SWCAP), for the Demand response capability of a Controllable Load Resource in the RTM.

(2) RTM Energy Bids remain active for the offered period until either:

(a) Selected by ERCOT; or

(b) Automatically inactivated at the offer expiration time specified in the RTM Energy Bid.

(3) For any Operating Hour, the QSE may submit or change an RTM Energy Bid at any time prior to SCED execution, and SCED will use the latest updated RTM Energy Bid available in the system. If a new RTM Energy Bid is not deemed to be valid, then the most recent valid RTM Energy Bid available in the system at the time of SCED execution will be used and ERCOT will notify the QSE that the invalid RTM Energy Bid was rejected. Once an Operating Hour ends, an RTM Energy Bid for that hour cannot be submitted, updated, or canceled.

(4) If the QSE has not submitted a valid RTM Energy Bid for an Operating Hour, ERCOT shall create a proxy RTM Energy Bid for the entire Demand response capability of that Load Resource with a not-to-exceed price at the SWCAP.

(5) The QSE may remove the Controllable Load Resource from SCED Dispatch by changing the Load Resource’s telemetered Resource Status or ramp rates appropriately. The QSE will update the COP Resource Status accordingly as soon as practicable.

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