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| NPRR Number | [1080](http://www.ercot.com/mktrules/issues/nprr1080) | NPRR Title | Limiting Ancillary Service Price to System-Wide Offer Cap |
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| Date | | June 22, 2021 | |
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| Submitter’s Information | | | |
| Name | | Public Utility Commission of Texas (PUCT) Staff | |
| E-mail Address | | [marketanalysis@puc.texas.gov](mailto:marketanalysis@puc.texas.gov) | |
| Company | | PUCT | |
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| Market Segment | | Not Applicable | |

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| Comments |

Public Utility Commission of Texas (PUCT) Staff submits these comments to express support of Nodal Protocol Revision Request (NPRR) 1080 as filed by ERCOT and the Independent Market Monitor (IMM). NPRR1080 would limit the Ancillary Service Market Clearing Prices for Capacity (MCPCs) to the effective System-Wide Offer Cap (SWCAP) as recommended in the IMM’s 2020 State of the Market Report for the ERCOT Electricity Markets.[[1]](#footnote-1) Staff agrees that the changes proposed in this NPRR are consistent with economic market design principles and will help prevent Ancillary Services pricing above the Value of Lost Load (VOLL) until Real-Time Co-optimization (RTC) can be implemented.

NPRR1080 was submitted by ERCOT and the IMM after discussion with the Commission at the June 3, 2021 PUCT Open Meeting. While a comprehensive analysis of the February 2021 events related to Winter Storm Uri and its impacts on the ERCOT wholesale electric market is ongoing, the IMM’s report highlighted a pair of pricing flaws revealed by the event that merit urgent attention. These pricing flaws are addressed in NPRR1080 and NPRR1081, Revisions to Real-Time Reliability Deployment Price Adder to Consider Firm Load Shed.

NPRR1080 will prevent future extreme Ancillary Service prices such as cleared in the Day-Ahead Market (DAM) during Uri. For certain hours during the event, MCPCs were as high as over $25,000 per MW while the SWCAP was set at $9000 per MW due to the DAM algorithm’s consideration of Resource opportunity costs and the high Ancillary Service penalty factors (ASPFs). Staff agrees with the IMM’s assessment that economic market design principles dictate that the value of reserves procured to reduce the probability of losing Load should not exceed VOLL, which is equal to the SWCAP. NPRR1080, along with OBDRR030, Related to NPRR1080, Limiting Ancillary Service Price to System-Wide Offer Cap, will ensure MCPCs do not exceed SWCAP and amend the ASPFs to a value at or immediately below the SWCAP.

PUCT Staff appreciates the work by ERCOT stakeholders in granting NPRR1080 Urgent status and requests TAC pass NPRR1080, along with the corresponding OBDRR030, through for consideration at the June 28, 2021 Board of Directors meeting in order to implement the changes as expeditiously as possible.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None

1. PUC Project No. 34677, Reports of the Independent Market Monitor for the ERCOT, Item No. 18, 2020 State of the Market Report, (May 28, 2021). [↑](#footnote-ref-1)