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| NPRR Number | [1086](http://www.ercot.com/mktrules/issues/NPRR1086) | NPRR Title | Recovery, Charges, and Settlement for Operating Losses During an LCAP Effective Period |
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| Date | | July 15, 2021 | |
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| Submitter’s Information | | | |
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| Market Segment | | Not applicable | |

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| Comments |

ERCOT recommends that PRS reject the proposed changes in the 7/14/21 Luminant comments related to the calculation of the weighted average fuel price used to determine the actual marginal cost for a Resource. Specifically, ERCOT objects to the removal of the term “marginal” from the various references to marginal cost in this NPRR because it is contrary to recent amendments to Public Utility Commission of Texas Rule (PUCT) 25.505 adopted in Project 51871. In that rulemaking, the PUCT amended section 25.505(g)(7) to explicitly allow recovery of only marginal costs that exceed the higher of the Low System-Wide Offer Cap (LCAP) or the Real-Time energy price:

When the system-wide offer cap is set to the LCAP, ERCOT must reimburse resource entities for any actual *marginal* costs in excess of the larger of the LCAP or the real-time energy price for the resource. ERCOT must utilize existing settlement processes to the extent possible to verify the resource entity's costs for reimbursement.

*Review of the ERCOT Scarcity Pricing Mechanism,* Project Number 51871, Order (June 24, 2021) (“LCAP Order”) at 21 (emphasis added). These amendments became effective July 14, 2021. *See* Tex. Gov’t Code § 2001.036(a). Moreover, the PUCT explicitly rejected several commenters’ proposals to allow recovery of “operating costs,” rather than “marginal costs” that exceed the higher of the LCAP or the price. *See* LCAP Order at 10. In doing so, the PUCT expressly stated that it “disagrees that reimbursement for marginal costs does not provide adequate compensation for resource entities.” *Id.*

For the same reasons, ERCOT also objects to the removal of language in paragraph (1)(c) of Section 6.8.1, Determination of Operating Losses During an LCAP Effective Period, which would provide that fixed costs may not be included in the calculation of the weighted average fuel price. This language parallels existing Protocol language that prohibits the inclusion of fixed costs in the calculation of the weighted average fuel price for purposes of ERCOT’s evaluation of Exceptional Fuel Costs. *See* paragraph (1)(f)(ii) of Section 4.4.9.4.1, Mitigated Offer Cap.

ERCOT urges PRS to recommend approval of NPRR1086 as submitted.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None