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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 |
| Name | Public Utility Commission of Texas (PUCT) Staff |
| E-mail Address | marketanalysis@puc.texas.gov  |
| Company | PUCT |
| Phone Number | 512-936-7371 |
| Cell Number |  |
| Market Segment | Not applicable |

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| Comments |

PUCT Staff submits these comments to express support of Nodal Protocol Revision Request (NPRR) 1086 with Urgent status to align the Protocols with the recent amendments to 16 Tex. Admin. Code (TAC) § 25.505 under Project No. 51871*, Review of the ERCOT Scarcity Pricing Mechanism*.

The amendments to 16 TAC § 25.505 modify the value of the Low System-Wide Offer Cap (LCAP) by eliminating the provision that ties the value of the LCAP to the natural gas price index and replacing it with a provision that ensures Resource Entities are able to recover their actual marginal costs when the LCAP is in effect. While the rule is prescriptive in the changes it made to the scarcity pricing mechanism, the Commission determined that ERCOT was best positioned to evaluate certain implementation matters through the Protocol revision process including potential cost recovery methods and reimbursement methodologies. Staff committed to work with ERCOT to design the needed NPRRs and has remained engaged throughout the development of NPRR1086.

Staff believes NPRR1086 effectively implements the 16 TAC § 25.505 amendments with regards to the LCAP Effective Period. Staff supports the use of an LCAP capacity short allocation as the cost recovery mechanism for any operating losses when the LCAP is in effect and believes the process appropriately encourages Market Participants to hedge their Loads. With regard to the reimbursement for Resources with marginal costs in excess of the LCAP or Real-Time energy prices, Staff believes the process outlined in NPRR1086 strikes an appropriate balance in allowing an Entity time to submit actual marginal costs through existing Settlement processes and ERCOT’s ability to properly evaluate the costs.

As noted by ERCOT, 16 TAC § 25.505 became effective on July 14, 2021. ERCOT’s request for Urgent status is needed to conform the Protocols with 16 TAC § 25.505 as expeditiously as possible and provide clarity to the market regarding its implementation. Staff appreciates consideration of these comments.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None