At the July 28 TAC meeting, ERCOT asked for stakeholder feedback on proposed changes to Ancillary Service quantities to be procured September through December. The following is the feedback that was received.

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| Submitter: Katie Coleman, on behalf of TIEC |
| **Load Resource Issues** TIEC’s main concern is that we have thousands of megawatts of prorated Load Resources that could potentially be used to provide additional reserves at a lower cost to customers.  My members are telling me they are getting awarded, on average, 15% of their offers which would mean there is somewhere north of 6000 stranded megawatts a lot of the time.  I understand that NSRS is currently limited to controllable loads, but either buying more RRS from Load Resources to provide the additional reserves ERCOT is seeking or coming up with a parallel product for LRs similar to NSRS that would not require CLR status could make use of these existing resources.  We are concerned about needlessly starting older units on days that they are unlikely to be needed and the potential long term reliability impacts of this, which I know is a concern that had been voiced by many generators.  Using LR to provide more of these reserves would mitigate that issue.Similarly, we do not understand what the megawatts that LRs are providing in RRS are being excluded in ERCOT’s calculation of the total reserves you will be carrying going forward.  I have not heard any real explanation for this except that it is a more “conservative approach,” but these LR megawatts are real and provide the same reliability value as dispatchable generation (or better).  This does not make sense to us from a technical or reliability standpoint, and it increases total costs to customers for no reason. **RUC Use and Offer Floor**Given how much the RUC process is also being used, we do not believe the rationale behind the $1,500/MWh offer floor makes sense and would like to eliminate it  This offer floor was meant to put RUC units behind other market units, but due to the volume of RUC recently it is instead just setting high prices for customers.  We also see a perverse incentive where units may not offer into the DAM in hopes of being RUC’ed to set this floor given how pervasive the RUC activity has been.  If this will continue, the RUC floor should be eliminated or at least reduced. **Calls for Pricing Changes**Finally, we are already seeing some stakeholders wanting to adjust prices to counteract any “price suppression” from these additional reserves. This is a double-whammy for customers as we are having to pay for all these additional reserves to be online and now will also have to pay prices as if they weren’t online if some of these arguments prevail.  We do not want any more price adjustments.  We also would like to evaluate alternatives to relying on ancillary services and RUC to achieve desired reserve levels and see if there are ways to get this into the market.  For example, it might be worth examining whether requiring a specific amount of thermal generation and allowing it to set price (i.e., not through RUC) would be a better alternative and a lower overall cost.  It would be a constraint in both DAM and Real-Time that a certain amount of thermal must be procured before you allow renewables on the system.  I don’t know if this is something we would ultimately support or not, but the point is if this is about getting thermal units committed every single day maybe reflecting this as a reliability need in SCED would be a more efficient approach.  We would need to see what the pricing outcomes and overall cost to customers looks like, but it seems potentially worth examining.  Thanks for the opportunity to provide feedback on this.   |
| Submitter: Eric Blakey, Just Energy and TEAM |
| REPs serving customers in Texas are experiencing a significant cost associated with the measures to increase ancillary service obligations on load. This measure is taken as a means to cover perceived reliability risk associated with lower reserves. Ancillary Services are meant to be real-time tools to ensure stable frequency on the grid. We respectfully request that the cost of these measures on load serving entities (and ultimately customers) be considered. The price of non-spin since this change is many multiples of historical prices. The impact of these costs should be quantified and compared to any alternatives. We appreciate ERCOT’s commitment at the last TAC meeting to quantify the additional costs.The changes presented at the most recent TAC meeting layer and move the costs to the detriment of customers. The ability of loads acting as resources to participate in providing the newly established ancillary services capacity should be increased, not decreased. We suggest that the ability to provide non-spin be opened up to load resources that are qualified to offer responsive reserve service. This increase in supply will assist in mitigating the cost of these ancillary service measures by increasing available supply. There are thousands of MW of loads whose ancillary service offers are not awarded under the current system. These load resources can be given a verbal dispatch and will be even more reliable than non-spin resources that may incur a forced outage on ramp up. Additionally, because these costs are essentially in lieu of RUC instructions, we would like to see these extra ancillary service costs be allocated to capacity-short entities in a similar manner to the way RUC is charged. |

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| Submitter: Bob Helton, Engie |
| Thanks for the opportunity to comment on the new ERCOT proposal of not using the 1300Mw of CLR/LRS in the reserve margin calculation.  Engie agrees that a secure and reliable grid is necessary for the good of Texans and the market.  CLR/LRS has been a source and tool for ERCOT to use for reliability for many years and has performed that function when necessary.  Excluding these resources indicates to the market that ERCOT believes these to be lesser resources for reliability.  Engie sees this a nothing more that a way to raise reserves to 7800Mw while excluding CLR/LRS from participating in the increase reserves requirement.  The A/S market is already an illiquid market and increasing the requirements while excluding some resources capable of providing reliability services only makes the situation untenable.  Further, I have not seen a time that I can remember where ERCOT has made such radical changes in methodology without a detailed study to provide transparency into the absolute necessity for the recommended changes.  Therefore, Engie would request that ERCOT perform the necessary studies to provide the technical reasons for the changes (both Mw levels and the exclusion of resources) and study the availability of A/S to provide any increase in requirements.If you have any questions on these comments please contact me.Thank you again |

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| Submitter: Bill Barnes, NRG |
| **NRG Comments on ERCOT AS Procurement Procedures**NRG has substantial concerns with the practice of significantly over-procuring capacity reserves through the AS procurement process for all hours of the day and all times of the year. In addition, NRG disagrees with the continued use of the RUC process to over-commit capacity. NRG supports the decision to operate the ERCOT system in a more conservative way but the details of how the process has been implemented result in unnecessary costs and market disruption. NRG’s specific concerns and recommendations are outlined below.Load participation in Responsive Reserve Service (RRS) and Non-Spinning Reserve Service (NSRS) – Load Resources have consistently provided RRS in the ERCOT market and have been a valuable tool for operational reserves. NRG disagrees with the proposed procedure change to ignore them in the requirement determination in lieu of more NSRS procurement. A sufficient justification was not provided to explain why load resources should be ignored as capable reserves. Likewise, load resources that are qualified to provide RRS should be allowed to participate in NSRS. Load resources have strict dispatch requirements for RRS and can be reconfigured to curtail based on a PRC level or through a manual dispatch instruction from ERCOT.Substantial amounts of RUC disrupt the market – The continued use of RUC in addition to procurement of 6,500MW to 7,500MW of AS capacity is excessive and unnecessary and should be eliminated. Once the reserves are procured through AS, there is no need to commit more resources. The combined actions of AS procurement and excessive RUC alters the historical operation of the market from one where resource owners self-commit based on market fundamentals to a forced commitment. This in turn discourages resources from self-committing creating a downward spiral where ERCOT must commit more and more resources. Once the reserves are secure, market forces should be allowed to make up any differences to load, which is consistent with how the real-time market has operated since inception. Excessive use of RUC also diminishes reliability by forcing units that are not needed for reliability to incur excessive wear and tear and to deplete run hours under emissions limits.NSRS procurement amounts – The practice of procuring NSRS amounts to achieve a 6,500MW to 7,500MW reserve cushion is excessive and unnecessary especially for off-peak hours and shoulder seasons. This blunt approach to NSRS procurement will drive up costs to serve load with very little reliability benefit. The procurement amounts should be adjusted hourly based on net load risk where the highest MW procurement align with the hours of highest risk, not a block procurement for the entire day. No additional procurement beyond historical NSRS amounts is needed during off-peak hours given the lack of occurrence and risk of EEA events. The total AS procurement amount should be capped at 5,000MW (EEA1 at 2,300MW). And any additional procurement should only occur during summer and winter peak load months. During outage seasons when thermal outages are high, NSRS will clear significantly above the value of real-time energy creating irrational market outcomes and opportunities that can be exploited at the expense of consumers. NRG requests ERCOT provide detailed analysis of the reliability risks being addressed, including specific real-world examples, by this magnitude of capacity procurement and the times of day and months when those risks occur. The analysis can be presented at a future TAC meeting. Eliminate the RUC offer floor – The RUC offer floor was intended to reflect the infrequent use of RUC to avoid grid emergencies. Since RUC is now being used to over-commit capacity to avoid any advisories well in advance of any grid emergency, the need for price adjustment no longer applies. Retaining a floor in the context of ERCOT’s consistent use of RUC, even when real-time energy pricing should be low, has significant, perverse consequences as generators may seek to maximize profits by *removing* their plants from the competitive market in order to capture rents from the more remunerative, administrative RUC process.Modify the structure of the DAM to manage resource commitment rather than RUC – Redesign the DAM such that generation resources must offer into the DAM if their resources are available to operate and ERCOT will procure capacity to meet the load forecast plus the ancillary services requirement. This would achieve the desired outcome of unit commitment of additional reserves using market-based tools rather than RUC. This change would align with other market design reforms and be contemplated with new market products contemplated in SB3 (i.e. market-based procurement of reliability services or a capacity showing obligation). |