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| NPRR Number | [1093](http://www.ercot.com/mktrules/issues/NPRR1093) | NPRR Title | Load Resource Participation in Non-Spinning Reserve |
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| Date | September 15, 2021 |
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| Submitter’s Information |
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| Market Segment | Cooperative, Consumer, Independent Generator |

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| Comments |

Joint Commenters appreciate the opportunity to comment on Nodal Protocol Revision Request (NPRR) 1093 and its associated Nodal Operating Guide Revision Request (NOGRR) and Other Binding Document Revision Requests (OBDRRs) that are intended to allow for the participation of Load Resources in the Non-Spinning Reserve (Non-Spin) Ancillary Service market. While the Joint Commenters generally agree that the expansion of participation is likely appropriate, particularly in light of the increased procured amounts of the service, the impacts of the NPRR are too profound to move forward on an Urgent timeline without a more comprehensive and deliberate understanding of the effects to the market and Market Participants.

As discussed at the August 27, 2021 Technical Advisory Committee (TAC) meeting, Non-Spin costs more than doubled in July 2021 as compared to June 2021 as a result of a more conservative operating posture by ERCOT that drove a substantial increase in Non-Spin procured quantities. Market Participants from numerous Market Segments expressed concern over the increased costs and the damage done to the market dynamics in both the Ancillary Service and energy markets. One option floated to address these concerns was to procure some Non-Spin from Load Resources that could qualify to provide the service. Since there is typically an oversubscription of Load Resources in providing Responsive Reserve (RRS), the belief is that there will be some amount of those pro-rated participants that may opt to provide Non-Spin in addition to RRS. This would, in theory, lower the overall Ancillary Service cost to Loads while potentially restoring some reasonableness to the value of the Non-Spin product which has, at times, exceeded the value of the more frequently called upon, and arguably more valuable Regulation Up Service (Reg-Up) and RRS.

However, as written, this NPRR has the very strong potential to swing the market pendulum dramatically in the opposite direction. Joint Commenters have very strong concerns that a resulting flood of Load Resource participation in the Non-Spin market will artificially suppress the value of the service, a service that is already known for clearing as low as $0.01/MWh at times, with bleed-over effects into the Day-Ahead Market (DAM) and Real-Time Market (RTM). Furthermore, incorporating a large volume of Load Resources in the Off-Line reserves calculation of the Operating Reserve Demand Curve (ORDC) will boost the calculated value of reserves significantly upward which will result in a payout of the ORDC far less frequently and of a far smaller magnitude. The ripple effects of these changes are far reaching and threaten generator economic viability and long-term Resource adequacy, both of which are pointedly addressed by Senate Bill 3 and by Governor Abbott’s letter to the Public Utility Commission (PUC), both of which direct the adoption of Ancillary Services that will support the maintenance of the existing dispatchable fleet of Generation Resources and encourage further development of more dispatchable capacity. This NPRR is at direct odds with those goals.

Joint Commenters posit that there is a way to move forward with integrating Load Resources into the Non-Spin market without damaging economic incentives for dispatchable Generation Resources and while maintaining or enhancing ERCOT’s reliability objectives. Joint Commenters also argue that there must be an increased quality in the reserves provided by Load Resources to ensure that this type of participant is not given an unfair economic or discriminatory advantage over others providing the same service (e.g., deployed later than a Generation Resource providing the same service). Joint Commenters believe that the following steps should be adopted at a minimum.

1. **Require that a minimum amount of Non-Spin be procured or self-arranged from dispatchable Generation Resources.**

Generation Resources dispatched by Security-Constrained Economic Dispatch (SCED), or ramped up from an Off-Line state, results in a more controlled and predictable ramp than those that would be dispatched in a blockier manner, such as Load Resources. Enforcing a minimum amount of Non-Spin from Generation Resources provides for less reliance on or exhaustion of Reg-Up or Regulation Down Service (Reg-Down) during the 30-minute deployment window. In addition, requiring a minimum amount of Non-Spin to be provided by dispatchable Generation Resources promotes dispatchable generation and the interest of the State through its consistency with both Senate Bill 3 and the Governor’s letter to the PUC.

Joint Commenters suggest that this level should be pegged at a level equal to the North American Electric Reliability Corporation (NERC)-defined Most Severe Single Contingency.

1. **Deployments of Non-Spin should be pro-rated.**

The deployment of certain classes of Resources in advance of others who are providing an equivalent service is discriminatory and provides an unfair economic advantage. If a Generation Resource is Off-Line and has not self-committed to On-Line Non-Spin, forcing it to come On-Line at an uneconomical price while allowing Load to remain Off-Line is unfair and discriminatory. ERCOT can still have the option to deploy in 500 MW blocks, however, the blocks should consist of a randomized mix of both Generation Resources and Load Resources.

1. **Load Resources should be subject to ERCOT deployment in Energy Emergency Alert (EEA) Level 1, regardless of whether they are providing Ancillary Services.**

Similar to the command-and-control scheme employed to bring On-Line Generation Resources during EEA Level 1, Load Resources should be required to deploy under EEA Level 1 unless they are not consuming. This will enhance reliability at all times by giving ERCOT an extra tool in their toolset and ensure that the quality of the Load Resource pool does not consist of “fair weather” participants who flee the Ancillary Services markets when the likelihood of deployment is high. Under EEA Level 1 conditions, energy prices are expected to be at or near the Value of Lost Load (VOLL), therefore the deployed Load Resource should be adequately compensated through the sale of their hedge position or the avoidance of higher energy prices.

1. **Load Resources should be subject to Reliability Unit Commitment (RUC) for local congestion, regardless of whether they are providing Ancillary Services.**

The rationale for this parallels that for bullet point 3 above and enhances local reliability. Processes should be established to ensure that the Load Resources are deployed for local congestion only when the severity of the congestion is significant enough that firm Load shed is the only other option available to alleviate the constraint.

Joint Commenters recognize that it may be necessary to develop additional Resource Status Codes and Outage scheduling or other processes to ensure that Load Resources are able to properly convey to ERCOT the status of their asset and to communicate when the Load Resource is truly not available. However, the usage of the existing Resource Status Codes or any new Resource Status Codes should be very explicitly defined, and the use of the codes should not enable a Market Participant to abuse the process and avoid deployment merely because the likelihood of deployment is greater than a typical fair weather day.

Lastly, in exchange for more frequent deployment of Load Resources under an expanded application as described above, Joint Commenters suggest that stakeholders should determine whether a make-whole mechanism, such as the one employed for RUC make-whole, should be employed for Load Resources deployed under EEA Level 1 or for local congestion needs.

Joint Commenters look forward to the discussion of these items at the September 16, 2021 Protocol Revision Subcommittee (PRS) meeting.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None