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| **OBDRR Number** | [**032**](http://www.ercot.com/mktrules/issues/OBDRR032) | **OBDRR Title** | **Non-Spin Changes Related to NPRR1093, Load Resource Participation in Non-Spinning Reserve** |
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| **Submitter’s Information** | | | |
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| **Market Segment** | | Cooperative | |

**Overview**

On September 29, 2021, the Technical Advisory Committee (TAC) approved Nodal Protocol Revision Request (NPRR) 1093, Load Resource Participation in Non-Spinning Reserve, and its associated revision requests, including Other Binding Document Revision Request (OBDRR) 032, which is the subject of this TAC Recommendation Opposition, submitted pursuant to Board Policies and Procedures Section VIII, Procedures for Participation by Parties Requesting to Advocate For or Against Specific Voting Items before the Board of the Board Policies and Procedures. As described further in ERCOT’s business case for NPRR1093, the intent of the NPRR is to change the Protocols to allow Load Resources that are not Controllable Load Resources to provide Non-Spinning Reserve (referred to as “Non-Spin”), a type of Ancillary Service. LCRA and STEC (“Appellants”) do not object to ERCOT permitting these additional types of Load Resources to provide Non-Spin, and therefore have not appealed the TAC’s recommended approval of NPRR1093. However, Appellants do oppose ERCOT’s proposed methodology for deploying Non-Controllable Load Resources in a manner that is more favorable than the deployment of Generation Resources providing the same service. Appellants both own dispatchable Generation Resources that currently participate in the Non-Spin market and will face a competitive disadvantage if OBDRRR032 is approved in its current form. Accordingly, Appellants present this appeal of OBDRR032 for the Board’s consideration.

**Background**

Currently, only Generation Resources and Controllable Load Resources are permitted to provide Non-Spin.

* A Load Resource is defined as a Load that is capable of providing Ancillary Services or energy in the form of Demand response and is registered with ERCOT as a Load Resource.
* A Controllable Load Resource is one that is capable of controllably reducing or increasing consumption under Dispatch control by ERCOT; Loads with such capabilities are already permitted to provide Non-Spin today.
* By extension, a Load Resource that is not a Controllable Load Resource (which Appellants refer to as a “Non-Controllable Load Resource” for brevity, although this is not a defined term), lacks the capability to be “dispatched” by ERCOT, i.e., it cannot reduce or increase its consumption when directed by ERCOT.

Allowing Non-Controllable Load Resources to provide Non-Spin requires changes to how ERCOT “deploys,” or calls upon, Resources with a Non-Spin obligation when ERCOT needs to convert that Non-Spin capacity into energy. With OBDRR032, ERCOT proposes that **“Load Resources that are not Controllable Load Resources will be deployed after other Non-Spin from Off-Line Generation Resources.”** Further, **“Load Resources that are not Controllable Load Resources will be recalled first, followed by Generation Resources.”** In other words, OBDRR032 presents a discriminatory “last in, first out” preference for Non-Controllable Load Resources, reducing the likelihood that such Resources will actually be called upon relative to Generation Resources providing the exact same service and getting paid the exact same price as the Non-Controllable Load Resources.

With regard to timing, ERCOT initially indicated in its request for urgency by the Protocol Revision Subcommittee (which in fact voted to approve urgent consideration for NPRR1093 at its September 16, 2021 meeting) that such urgency was necessary “to allow ERCOT to explore temporary work-arounds to allow Load Resources that are not Controllable Load Resources to participate in Non-Spinning Reserve (Non-Spin) so that additional capacity is available to ERCOT Operators for the upcoming winter and summer 2022.” However, ERCOT initially identified the implementation timeline for the changes as requiring “8 to 12 months,” according to the original Impact Analysis filed with NPRR1093. Thus, it was never the case that ERCOT could have the necessary changes in place to allow for Non-Controllable Load Resources to provide Non-Spin capacity as early as “the upcoming winter.” ERCOT has since further revised its estimated timeline to “10 to 14 months.” As a result, any additional time required for ERCOT to revise OBDRR032 will not be the cause for a delay in implementing these changes “for the upcoming winter and summer 2022,” as such targets are not achievable to implement NPRR1093 even based on the current TAC-recommended language. To be clear, OBDRR032 has not been granted Urgent status, and there is simply no reason to require a rushed and inequitable implementation plan to achieve a goal that ERCOT has already signaled cannot be met. ERCOT staff can still “explore temporary work-arounds” while it revises the deployment methodology in OBDRR032 to be resource-neutral and non-discriminatory, if ordered by the Board.

**Appeal**

Appellants specifically object to the above-quoted deployment order language changes in Sections 1 and 3 of the OBDRR.

These changes will have market consequences that negatively and disproportionately burden Generation Resources. This outcome is at odds with Senate Bill 3, which requires the Public Utility Commission to “evaluate whether additional services are needed for reliability in the ERCOT power region *while providing adequate incentives* *for dispatchable generation*.”[[1]](#footnote-1) Specifically, in procuring Ancillary Services, ERCOT is required under Senate Bill 3 to ensure that resources that provide such services are “dispatchable.”[[2]](#footnote-2) Moreover, the Governor’s policy direction to the Public Utility Commission and ERCOT in his July 6, 2021 letter is to “streamline incentives within the ERCOT market to foster the development and maintenance of adequate and reliable resources, like natural gas, coal, and nuclear power.”

**Harm to Dispatchable Generation Resources**

Given the preferential dispatch treatment proposed for Non-Controllable Load Resources, Appellants have serious concerns that the Non-Spin market will be negatively impacted, which in turn will suppress the value of the service and dampen Day-Ahead, Real-Time, and forward market prices. These market prices and investment signals are critical to ensuring that ERCOT attracts sufficient dispatchable generation capacity to reliably serve the electric needs of Texans. The ripple effects of these changes would be far-reaching and could also threaten the economic viability of existing dispatchable resources that depend on adequate Ancillary Service revenues to remain in the market. Long term resource adequacy depends on maintaining the existing dispatchable fleet of Generation Resources and encouraging further development of more dispatchable capacity.

Appellants believe that ERCOT can successfully integrate Non-Controllable Load Resources into the Non-Spin market without damaging economic incentives for dispatchable Generation Resources and while maintaining or enhancing ERCOT’s reliability objectives. However, OBDRR032 as recommended by TAC does not meet these goals. Therefore, Appellants respectfully request that the Board reject OBDRR032 and direct ERCOT to revise the deployment methodology to ensure that NPRR1093 is implemented appropriately and equitably in a resource-neutral manner.

1. Tex. Util. Code § 35.004(g)(2). [↑](#footnote-ref-1)
2. *Id.* § 39.159. [↑](#footnote-ref-2)