

Tab 8.2: 2013 Competitive Constraints

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TAC Action on the Constraint Competitiveness Test (CCT)

- The CCT is a test intended to determine the existence of local market power.
 - A constraint is either deemed competitive and no local market power mitigation is needed or;
 - A constraint is deemed non-competitive and local market power mitigation measures kick in.
- We run the test annually, monthly, and daily. This appeal involves only the annual test.
- The design has been in the Protocols since the nodal market has been operational; however, the test has never been used to screen for local market power.
- The CCT relies on a feature called the Element Competitiveness Index (ECI).

- The ECI is loosely derived from the Herfindahl-Hirschman Index, a test the Justice Department uses as part of approving mergers and acquisitions.
 - As a reference, a score of 10,000 is considered to be a monopoly.
 - If you had 100 firms with equal shares the HHI would be 100.
- The CCT adds features to the test to reflect the particulars of an electric market such as:
 - A pivotal player test;
 - Analysis on the import and export sides of a constraint.

What are the options?

- **Option 1 logic:**
 - A constraint is “Competitive” if
 - Constraint can not be overloaded under worst case scenario
 - OR
 - Combination of
 - There are resources with absolute Shift Factor $\geq 2\%$
 - AND positive-SF ECI ≤ 2500
 - AND negative-SF ECI ≤ 2000
 - AND no pivotal player exists
 - Otherwise, it is “Non-Competitive”

- **Option 2 logic:**
 - A constraint is “Competitive” if
 - Combination of
 - There are resources with absolute Shift Factor $\geq 2\%$
 - AND positive-SF ECI ≤ 2500
 - AND negative-SF ECI ≤ 2000
 - AND no pivotal player exists
 - Otherwise, it is “Non-Competitive”
- **Option 3 logic:**
 - A constraint is “Competitive” if
 - Constraint can be overloaded under worst case scenario
 - AND
 - Combination of
 - There are resources with absolute Shift Factor $\geq 2\%$
 - AND positive-SF ECI ≤ 2500
 - AND negative-SF ECI ≤ 2000
 - AND no pivotal player exists
 - Otherwise, it is “Non-Competitive”

TAC Votes

- First a motion was made to approve Option 1
 - That motion failed with 7 in favor, 16 against and 6 abstentions.
 - Seven affirmative votes from the Independent Generator (3) and the Independent Power Marketer (IPM) (4) Market Segments.
 - Six abstentions from the Independent Retail Electric Provider (IREP) (4), Investor Owned Utility (IOU) and Generator Market Segments.
 - Sixteen opposing votes from the Cooperative (4), Municipal (3), IOU (3), and Consumer (6) Market Segments .

- A second motion was made to approve a modified Option 3 as recommended by the WMS. This motion passed with 19 in favor, 2 opposed and 8 abstentions.
 - Two opposing votes from the Generator Market Segment.
 - Eight abstentions from the IOU, Generator (2), IREP (4) and IPM Market Segments

- Later, a third vote was taken to reconsider TAC's previous action. This motion was made in light of new information that some TAC members wanted considered related to the inclusion of the West to North stability limit constraint being included as a competitive constraint. The motion failed with 15 in favor, 7 against and 3 abstentions.
 - Seven opposing votes from the IOU and Consumer (7) Market Segments.
 - Three abstentions from the IOU Market Segment.