

NPRR Comments

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| NPRR Number | 444 | NPRR Title | Supplemental Reliability Deployments |
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| Date | May 9, 2013 |
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| Market Segment | Consumer |

Comments

This response to the Citigroup Energy, Inc. appeal is submitted on behalf of the Technical Advisory Committee (TAC).

Citigroup Energy, Inc., is asking the ERCOT Board override decisions by PRS and TAC by instructing ERCOT to conduct an Impact Analysis for NPRR444. As the votes at TAC and PRS show, there are significant concerns with NPRR444, and there is insufficient market support to justify requiring ERCOT staff to conduct an Impact Analysis at this time. Additionally, the results of the Impact Analysis will not change the outcome of the vote on the merits of the NPRR, since the costs and implementation timeframe are not the primary source of stakeholder opposition.

A. Requiring an Impact Analysis for NPRR444 is an inefficient and inappropriate use of ERCOT resources.

The ERCOT Protocols appropriately limit ERCOT staff's obligation to conduct Impact Analyses to NPRRs that have been recommended for approval by PRS:

21.4.6 Revision Request Impact Analysis

- (2) *If PRS recommends approval of a Revision Request*, ERCOT shall prepare an Impact Analysis based on the proposed language or proposed system changes in the PRS Report¹

¹ Emphasis added.

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This limitation exists for good reason. ERCOT resources should not be expended evaluating an NPRR until there is a reasonable likelihood that the specific proposal will move forward. NPRRs change significantly during the stakeholder process, and requiring ERCOT to conduct an Impact Analysis upon request for any given proposal would be an imprudent use of resources. ERCOT's resources and budget are already taxed by the significant volume of NPRRs generated by the stakeholder process. ERCOT's budget and resources are backlogged such that many NPRRs are not scheduled to be implemented for years after approval. ERCOT already has \$30 million of projects in the queue for 2014.² The ERCOT Board should not allow stakeholders to further tax ERCOT resources by sidestepping the official Protocol revision process to obtain an Impact Analysis for complicated proposals that are not supported by the market.

B. The potential Impact Analysis (IA) results are not driving stakeholder opposition to NPRR444, and will not change the PRS or TAC decisions.

Stakeholders' concerns with NPRR444 relate to the substance of the proposal, not the costs or time required to implement it. Therefore, the results of an Impact Analysis for NPRR444 will not change the outcome of the vote on the merits for NPRR444 in its current form.

Stakeholders have proven commitment to addressing pricing issues, and have approved numerous measures to prevent potential price reversals during deployment of reliability services.³ Stakeholders are currently in the process of approving an NPRR to address similar issues related to the deployment of Load Resources during emergency conditions (NPRR 508).⁴ In contrast to these measures, NPRR444 is unnecessarily complex and overreaching.

NPRR444 would require an additional run of Security Constrained Economic Dispatch (SCED) to simulate real-time market conditions if certain resources were not online, or if certain loads had not curtailed as a result of reliability deployments. ERCOT would then resettle the market based on the results of this artificial SCED run, paying generators based on purely hypothetical prices and dispatch. This resettlement would result in payments to generators (a "make-whole" payment) for amounts of energy that the generators did not produce. This make-whole payment is the source of significant stakeholder opposition.⁵ The costs of the proposed make-whole payment would be uplifted to all Load Serving Entities (LSEs) on a Load Ratio Share basis. This allocation methodology would prevent loads from hedging against or avoiding these costs, which

² See http://www.ercot.com/content/meetings/prs/keydocs/2013/0418/PRS_April_2013_Project_Prioritization.ppt.

³ See NPRRs 426 and 428 (offer floors for Non-Spinning Reserve Service); NPRR427 (offer floor at the SWOC for Responsive Reserve Service and Regulation Up); NPRR435 (offer floor at the SWCAP for Reliability Unit Commitment); NPRR442 (offer floor at the SWCAP for Reliability Must-Run).

⁴ This NPRR has been recommended for approval by PRS and is awaiting an Impact Analysis.

⁵ This issue is addressed in further detail in prior comments from CPS Energy and TIEC, as well as the PRS Advocate comments to TAC.

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is an additional source of stakeholder opposition. Because Load-Serving Entities could not manage these costs by contracting forward, this proposal also runs counter to resource adequacy objectives. Finally, requiring this new “shadow” SCED run will introduce a new major market feature for ERCOT staff to maintain, new complexity for Market Participants to manage, and a new source of Settlement disputes. Stakeholders do not believe that such a complex approach is justified given the potential for less complicated alternatives and the adverse market consequences that NPRR444 would create.

In short, it is the substance of NPRR444 that is causing stakeholder opposition, and the potential results of an Impact Analysis will not influence this opposition. Requiring ERCOT to conduct an Impact Analysis for NPRR444 will simply delay its inevitable rejection, force ERCOT and stakeholders to expend additional unnecessary resources on this particular proposal, and encourage stakeholders to petition the ERCOT Board for Impact Analyses of proposals that the market does not support. For these reasons, TAC respectfully requests that the ERCOT Board deny CitiGroup Energy, Inc.’s appeal.