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| NPRR Number | [1092](http://www.ercot.com/mktrules/issues/NPRR1092) | NPRR Title | Reduce RUC Offer Floor and Remove RUC Opt-Out Provision |
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| Date | | February 20, 2022 | |
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| Submitter’s Information | | | |
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| Market Segment | | Independent Retail Electric Provider (IREP) | |

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| Comments |

Reliant supports Nodal Protocol Revision Request (NPRR) 1092 and specifically, the reduction of the Reliability Unit Commitment (RUC) offer floor from $1,500/MWh to a value that is more reflective of the actions being taken by ERCOT when utilizing RUC deployments in the post-Uri world.

Following winter storm Uri in 2021, ERCOT adopted conservative operating practices to carry more On-Line reserves in Real-Time to bolster operational reliability. This process change included substantially increasing Ancillary Service procurement amounts and using the RUC process to commit reserves in excess of those elevated Ancillary Service amounts to maintain a safety margin of On-Line reserves well above ERCOT’s conservative Load forecast (i.e. typical margin of at least 6,500MW that increases to 7,500MW during high risk days).[[1]](#footnote-1) Therefore, the current use of the RUC process bears no relation to the prior assumptions used to set the RUC offer floor at $1,500/MWh and, as such, it is no longer appropriate to value these actions at $1,500/MWh. At these reserve levels, the RUC process acts more as a partial substitute for the normal commitment decisions of the market and the RUC offer floor should be set to reflect that reality.

With respect to the displacement of competitive offers, stakeholders considered and evaluated this concern during discussions of NPRR1092 in the fall of 2021. ERCOT and the Independent Market Monitor (IMM) conducted analysis of aggregate offer curves during peak hours which demonstrated that the vast majority of competitive offers (over 95%) were below $75/MWh even at elevated natural gas prices.[[2]](#footnote-2) Therefore, an offer floor of $75/MWh is more than sufficient to ensure RUC Resources are dispatched near the end of the supply stack, minimizing utilization of these Resources and the impact on prices. In addition, being a floor and not a cap, offers for RUC Resources can be submitted above $75/MWh.

Effective January 1st, 2022, ERCOT implemented modifications to the Operating Reserve Demand Curve (ORDC) as directed by the Public Utility Commission of Texas (PUCT). By moving the Minimum Contingency Level (MCL) from 2,000 MW to 3,000 MW, the ORDC will now print higher prices at much higher reserve levels to more appropriately value this increased level of reliability. On the morning of February 9th, 2022, during moderate Load conditions, system reserves, as measured by Physical Responsive Capability (PRC), declined to approximately 3,300 MW, or 1,000 MW in excess of Energy Emergency Alert (EEA) Level 1. During these intervals, the modified ORDC printed price adders over $250/MWh. If grid conditions support higher prices, regardless of RUC activity, the ORDC will ensure those prices are realized. As a reminder, RUC MWs are removed from the ORDC and zero to Low Sustained Limit (LSL) MWs from RUC Resources are accounted for in the Reliability Deployment Price Adder, negating price suppressive impacts.

It is worth noting that NPRR1092 was initially filed in August of 2021, it was discussed extensively in the stakeholder process during the fall of 2021, and stakeholders deliberately delayed consideration of the NPRR until after the ORDC reforms were implemented on January 1, 2022. No opposing comments were filed prior to WMS or PRS approval in January of 2022.

Reliant shares many of the concerns conveyed by Luminant in their 2/17/22 comments regarding the excessive use of the RUC process and its impact on the ERCOT generation fleet. However, these concerns don’t change the fact that RUC serves a different purpose now and they don’t justify continuation of a RUC offer floor that is fundamentally disconnected from the actions being taken by ERCOT. The potential to surprise the market with $1,500/MWh prices during circumstances where grid conditions do not justify it interferes with the ability to hedge and impacts the normal functioning of the market.

The future of the ERCOT market is one where Resource adequacy and more On-Line reserves will be a priority. Increased Ancillary Service procurements help fulfill part of that need and have substantially increased revenues for generators, including Entities subject to ERCOT’s actions. But more needs to be done to improve the ERCOT market structure and ERCOT’s current dependence on the RUC process must be temporary. Reliant looks forward to continuing to work expeditiously with the PUCT, ERCOT, and other Market Participants on long-term solutions that increase reliability through market-based mechanisms that obviate the need for processes such as RUC.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None

1. <https://www.ercot.com/files/docs/2021/09/22/Review_of_RUC_Instructions_in_September_-_WMWG_-_092221.pptx> [↑](#footnote-ref-1)
2. <https://www.ercot.com/files/docs/2021/11/12/Aggregated_Offer_Curves_Analysis_for_NPRR1091_and_1092_Discussion.pdf> [↑](#footnote-ref-2)