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| NPRR Number | [1124](https://www.ercot.com/mktrules/issues/NPRR1124) | NPRR Title | Recovering Actual Fuel Costs Through RUC Guarantee |
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| Date | | April 1, 2022 | |
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| Submitter’s Information | | | |
| Name | | Ino Gonzalez | |
| E-mail Address | | [Ino.Gonzalez@ercot.com](mailto:Ino.Gonzalez@ercot.com) | |
| Company | | ERCOT | |
| Phone Number | | 512-248-3954 | |
| Cell Number | |  | |
| Market Segment | | Not Applicable | |

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| Comments |

ERCOT submits these comments to further explain why ERCOT submitted NPRR1124 and respond to the 3/23/22 Luminant comments.

**The Intent of NPRR 1124**

Pursuant to paragraphs (1) through (3) of Section 9.14.7, Disputes for RUC Make-Whole Payment for Fuel Costs, a Qualified Scheduling Entity (QSE) for a Generation Resource may elect to file a dispute to recover its Startup and minimum energy fuel costs for natural gas or fuel oil consumed during a Reliability Unit Commitment (RUC)-Committed Interval.

NPRR1124 proposes that in such a dispute, regardless of whether the QSE for a RUC-committed Generation Resource submitted a Three-Part Supply Offer, the QSE will be reimbursed for the Generation Resource’s recalculated Startup and minimum energy costs based on the approved actual fuel price paid during a RUC-Committed Interval. Currently, pursuant to paragraph (6) of Section 5.7.1.1, RUC Guarantee, the QSE for a RUC-committed Generation Resource that did not submit a Three-Part Supply Offer is afforded such treatment. However, pursuant to the same Protocol provision, the QSE for a RUC-committed Generation Resource that submitted a Three-Part Supply Offer must be reimbursed for the *minimum of either* the Generation Resource’s recalculated Startup and minimum energy costs based on the approved actual fuel price paid *or* the Startup and minimum energy components of the Generation Resource’s Three-Part Supply Offer. As noted in the 3/23/22 Luminant comments, those components of a Generation Resource’s Three-Part Supply Offer are subject to caps; because of those caps and the express terms of paragraph (6) of Section 5.7.1.1, sometimes the QSE receives a reimbursement that is less than the Generation Resource’s recalculated Startup and minimum energy costs based on the approved actual fuel price paid. This risk of a limit on reimbursement is exacerbated in periods of extreme volatility in fuel prices, as have been observed recently. To address this specific, urgent issue, ERCOT submitted NPRR1124. Please see artifact 1124NPRR-04b as part of these 040122 ERCOT comments, which is an Excel spreadsheet with generic examples that illustrate the application of the existing Protocols and application of the changes proposed by ERCOT in NPRR1124.

**Response to Luminant’s Comments**

In the 3/23/22 Luminant comments, Luminant offered several proposed revisions to the ERCOT Nodal Protocols that go beyond the urgent issue identified by ERCOT and discussed above. Examples of Luminant’s proposals that exceed the scope of NPRR1124 include, but are not limited to:

* including fixed costs in the calculation of fuel adders;
* allowing offers to exceed the Startup and Minimum-Energy Offer caps in the Day-Ahead Market (DAM); and
* permitting a QSE to submit Exceptional Fuel Costs based on quotes or long-term fuel agreements rather than actual fuel purchases made intra-day or same day.

While ERCOT is not opposed to stakeholders vetting the changes proposed by the 3/23/22 Luminant comments, ERCOT requests that NPRR1124 remain limited to addressing the particular, urgent issue for which it was intended – revising the calculation of a RUC-committed Generation Resource’s Startup and minimum energy fuel costs when a Three-Part Supply Offer was submitted – so that its resolution is not delayed. Luminant’s proposals include major policy changes that warrant thorough consideration by stakeholders. Sufficient time should be afforded for stakeholders to discuss and possibly recommend adoption, revision, or rejection of each of Luminant’s proposals, and such consideration need not delay resolution of the urgent issue that is addressed in NPRR1124.

ERCOT also notes that, as proposed, ERCOT would not be able to implement some of Luminant’s changes. For example, Luminant proposes that ERCOT be permitted to reject a Startup offer or Minimum-Energy Offer if ERCOT determines the offer is not reflective of actual costs. However, processes for independently evaluating and making determinations on actual costs take several days and by necessity happen after the costs are incurred.  Thus, it is unclear how ERCOT can make such a determination and reject the offer before it would be used in a market clearing. Nonetheless, ERCOT stands ready to discuss these policy issues and implementation concerns if Luminant or another stakeholder submits an NPRR that includes some or all of the changes proposed in the 3/23/22 Luminant comments.