

Date: August 9, 2022
To: ERCOT Board of Directors
From: Clif Lange, Technical Advisory Committee (TAC) Chair
Subject: Reliability Unit Commitment (RUC) Cost Scaling Parameter Change

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: August 16, 2022

Item No.: 3.2

Issue:

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should approve a change to the RUC cost scaling parameter from 20% to 100%.

Background/History:

The cost scaling parameter for RUC was introduced by Nodal Protocol Revision Request (NPRR) 864, RUC Modifications to Consider Market-Based Solutions, and implemented on October 26, 2018. The RUC cost scaling parameter modifies the Start Up and Minimum Energy Costs for Resources with a cold start time of one hour or less with the intention of making short lead time Resources appear more economical in the RUC optimization. As specified in paragraph (9) of Protocol Section 5.5.2, Reliability Unit Commitment (RUC) Process, the Board is required to approve the RUC cost scaling parameter following a recommendation by TAC:

- (9) For all available Off-Line Resources having a cold start time of one hour or less and not removed from special consideration pursuant to paragraph (4) of Section 8.1.2, ERCOT shall scale any approved verifiable Startup Cost and verifiable minimum-energy cost or if verifiable costs have not been approved, the applicable Resource Category Generic Startup Offer Cost and the applicable Resource Category Generic Minimum-Energy Offer Cost as specified in Section 4.4.9.2.3 for use in the RUC process.

The above parameter is defined as follows:

Parameter	Unit	Current Value*
1HRLESSCOSTSCALING	Percentage	Maximum value of 20%

* The current value for the parameter(s) referenced in this table above will be recommended by the Technical Advisory Committee (TAC) and approved by the ERCOT Board. ERCOT shall update parameter value(s) on the first day of the month following ERCOT Board approval unless otherwise directed by the ERCOT Board. ERCOT shall provide a Market Notice prior to implementation of a revised parameter value.

The cost scaling of short lead time Resources is no longer effective with ERCOT's current operational approach. The scaling has led to ERCOT Operators needing to make many of

their RUC decisions outside of the economic-based RUC recommendations, leading to inefficiencies in the commitment decisions.

Changing the RUC cost scaling parameter to 100% will help ensure the commitment decisions better reflect the economically optimal commitment decision.

On July 27, 2022, TAC reviewed the ERCOT proposal to change the RUC cost scaling parameter from its current value of 20% to a value of 100% effective September 1, 2022 and unanimously voted to recommend approval of the change to the RUC cost scaling parameter in Protocol Section 5.5.2 from 20% to 100%.

Key Factors Influencing Issue:

The TAC met, reviewed the ERCOT proposal, discussed the issues, and took action on changing the RUC cost scaling parameter.

Conclusion/Recommendation:

As more specifically described above, TAC recommends that the Board approve the change to the RUC cost scaling parameter in Protocol Section 5.5.2 from 20% to 100%.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, paragraph (9) of Protocol Section 5.5.2, Reliability Unit Commitment (RUC) Process, requires the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) to review and approve the value of the Reliability Unit Commitment (RUC) cost scaling parameter;

WHEREAS, the Technical Advisory Committee (TAC) has recommended that the Board approve a change to the RUC cost scaling parameter in Protocol Section 5.5.2 from 20% to 100%, as recommended by ERCOT staff; and

WHEREAS, the after due consideration of the alternatives, the Board deems it desirable and in ERCOT's best interest to approve a change to the RUC cost scaling parameter in Protocol Section 5.5.2 from 20% to 100% as recommended by TAC;

THEREFORE be it RESOLVED, that the change to the RUC cost scaling parameter in Protocol Section 5.5.2 from 20% to 100% is hereby approved.

CORPORATE SECRETARY'S CERTIFICATE

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its August 16, 2022 meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of August 2022.

Jonathan M. Levine
Assistant Corporate Secretary