



Item 4.2: TAC Recommendation to Committee

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2023 Technical Advisory Committee (TAC) Vice
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Reliability and Markets Committee Meeting

ERCOT Public

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Overview

- **Purpose**

This presentation is to share with the R&M Committee TAC's discussions and ultimate recommendation on bridge options.

- **Voting Items / Requests**

No action is requested of the R&M Committee Board; for discussion only

- **Key Takeaways**

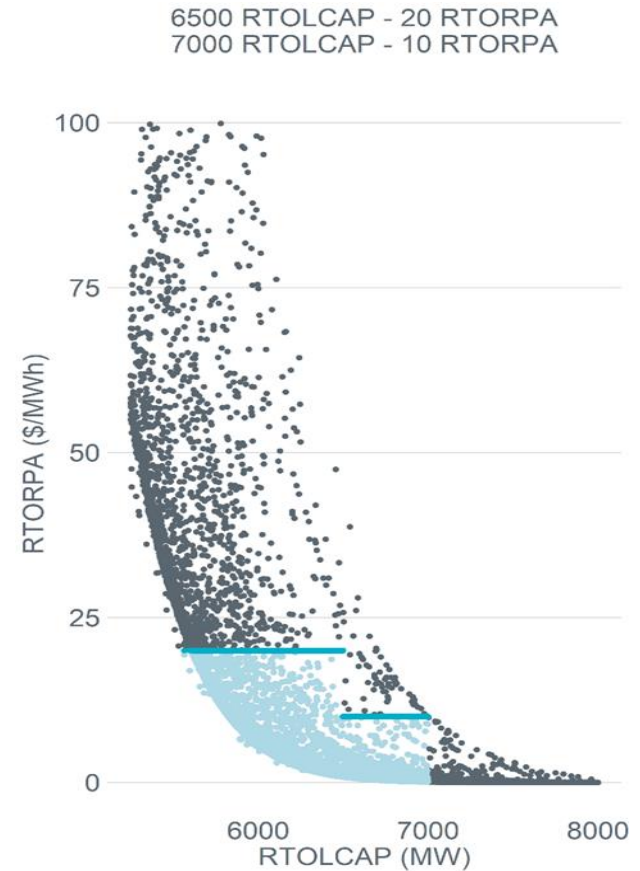
- TAC voted to endorse ERCOT's recommended Operating Reserve Demand Curve (ORDC) changes as the bridge option
- There were six opposing votes from the Consumer Market Segment and two abstentions from the Cooperative and Independent Retail Electric Provider (IREP) Market Segments
- TAC stakeholders were supportive of one of ERCOT's initial recommendations – publishing an Indicative PCM – but found it didn't meet requirements of a bridging option and rather was appropriate in the event of implementing PCM

TAC Review of Bridging Options

- ERCOT held two Workshops to introduce bridging solutions to stakeholders, which included:
 - Implementing a Basic settlement component of the PCM manually
 - Procure additional ancillary services
 - Enhance the ORDC
 - Backstop Reserve Service
 - Contracts for Capacity
 - Publish Indicative PCM
- TAC had an additional two special TAC meetings:
 - ERCOT presented their recommendation for ORDC changes to a multi-step floor of \$20 at 6500MW and \$10 at 7000MW
 - TAC narrowed the initial six bridging options down to ERCOT's ORDC changes and additional ancillary services
 - TAC also had general stakeholder support for an Indicative PCM but noted that it does not provide benefit for existing resources, as a bridging solution, and requires fleshing out details of PCM upon legislative indication of approval

TAC Endorses ERCOT's Recommended ORDC Changes

- TAC found that the ORDC Changes met ERCOT's intention for a bridging option to:
 - Advance our market to meet the PUCT's long term goals with minimal distortions and adverse consequences and have quick implementation timelines that don't interfere with a long-term solution
- TAC also recommended the ORDC changes as the bridge option that best:
 - Incentivizes new investment and maintaining existing resources
 - Addresses RUC by providing a self-commitment incentive



Key Takeaway: After two ERCOT workshops and two Special TAC meetings regarding bridging options, TAC voted to endorse ERCOT's recommended ORDC Changes

TAC Discussion and Opposing Votes to ORDC Changes

- Consumers' concerns with ERCOT's proposed ORDC changes included:
 - Support for continued exploration & development of an ancillary service, DRRS
 - Other TAC members noted that DRRS cannot be quickly implemented and had not been adequately studied
 - Preferring a different level of enhanced ORDC Compensation
 - ERCOT completed analysis at TAC's request for a multi-step floor with step one triggered at 4000MW of reserve, and for a VOLL adjustment to \$5670MWh; no TAC consensus on this over proposed changes, behavioral outcomes expected to vary from backcast
 - Support for transparency and reporting requirements on ORDC revenues
 - Other TAC members noted that ERCOT provides a biennial report of ORDC and that reporting revenues specific to ORDC changes would be difficult to track and possibly commercially sensitive information
 - ERCOT indicated they would report on performance after implementation
- The IMM also requested transparency measures and continued evaluation of the appropriateness of 6500MW floor

Key Takeaway: TAC Consumer segment expressed a preference for exploring an additional ancillary service like DRRS or a different level of ORDC changes

Support for Publishing Indicative PCM

- TAC members indicated general support for publishing indicative PCM and indicated this should be a part of any PCM implementation
- However, publishing indicative PCM prices does not seem to fit into bridge options
 - No financial compensation or binding requirement
 - Provides no benefit for existing resources
- Additionally, publishing an indicative PCM would require fleshing out of details regarding PCM that would require direction for implementation for legislature and PUCT

Key Takeaway: TAC was generally supportive of publishing indicative PCM, in the event of implementing PCM, but did not feel it met the intended goals of a bridge option