|  |  |
| --- | --- |
| **Date:** | June 13, 2023 |
| **To:** | Board of Directors |
| **From:** | Clif Lange, Technical Advisory Committee (TAC) Chair |
| **Subject:** | Non-Unanimous and Other Selected Revision Requests Recommended by TAC for Approval |

## Issue for the ERCOT Board of Directors

|  |
| --- |
| **ERCOT Board of Directors Meeting Date:** June 20, 2023  **Item No.:** 9.1 |

|  |
| --- |
| **Issue:**Consideration of the following Revision Requests: Nodal Protocol Revision Request (NPRR) and Verifiable Cost Manual Revision Request (VCMRR), recommended for approval by TAC (with opposing votes recorded, or with no opposing votes but selected for review by the Reliability and Markets (R&M) Committee):  * NPRR1143, Provide ERCOT Flexibility to Determine When ESRs May Charge During an EEA Level 3; * NPRR1169, Expansion of Generation Resources Qualified to Provide Firm Fuel Supply Service in Phase 2 of the Service – URGENT; and * VCMRR031, Clarification Related to Variable Costs in Fuel Adders. |
| **Background/History:** **Unless otherwise noted: (i) all Market Segments participated in each vote; (ii) For NPRRs, ERCOT Credit Staff and the Credit Finance Sub Group (CFSG) have reviewed the NPRR and do not believe it requires changes to credit monitoring activity or the calculation of liability; (iii) ERCOT supports the Revision Request; and (iv) the Independent Market Monitor (IMM) has no opinion on the Revision Request.**   * ***NPRR1143, Provide ERCOT Flexibility to Determine When ESRs May Charge During an EEA Level 3***   **Submitter:** ERCOT  **Proposed Effective Date:** August 1, 2023  **ERCOT Impact Analysis:** No budgetary impact; no impacts to ERCOT staffing; no impacts to ERCOT computer systems; no impacts to ERCOT business processes; no impacts to ERCOT grid operations and practices.  **Revision Description:** This NPRR allows ERCOT the ability to decide when Energy Storage Resources (ESRs) may charge during an Energy Emergency Alert (EEA) Level 3.  **TAC Decision:** On 5/23/23, TAC voted to recommend approval of NPRR1143 as recommended by PRS in the 5/10/23 PRS Report as amended by the 5/19/23 ERCOT comments; and the 5/22/23 Revised Impact Analysis. There was one opposing vote from the Cooperative (STEC) Market Segment and six abstentions from the Consumer (2) (Air Liquide, CMC Steel), Cooperative (3) (GSEC, LCRA, PEC), and Independent Generator (Luminant) Market Segments.  **ERCOT Market Impact Statement:** ERCOT Staff has reviewed NPRR1143 and believes that the ability to decide when ESRs may charge during an EEA Level 3 has the positive impact of aiding in building back reserves, restoring firm Load and recovering from the EEA Level 3 event.   * ***NPRR1169, Expansion of Generation Resources Qualified to Provide Firm Fuel Supply Service in Phase 2 of the Service – URGENT***   **Submitter:** ERCOT  **Proposed Effective Date:** July 1, 2023  **ERCOT Impact Analysis:** No budgetary impact; no impacts to ERCOT staffing; no impacts to ERCOT computer systems; ERCOT business processes will be updated; no impacts to ERCOT grid operations and practices.  **Revision Description:** This NPRR expands the qualifications by which a Generation Resource may provide the reliability service, FFSS. FFSS was developed in 2022 consistent with directives from the Legislature (provided in Section 18 of Senate Bill 3, 87(R) that are now found in PURA 39.159(c)(2), requiring ancillary or reliability services to address reliability during extreme cold-weather conditions) and the PUCT (see e.g. PUCT Project No. 52373, Approval of Blueprint for Wholesale Electric Market Design and Directives to ERCOT (Jan. 13, 2022)), ordering ERCOT to develop a firm-fuel product that provides additional grid reliability and resiliency during extreme cold weather and compensates generation resources that meet a higher resiliency standard.  **TAC Decision:** On 5/23/23, TAC voted to recommend approval of NPRR1169 as recommended by PRS in the 5/10/23 PRS Report as amended by the 5/22/23 Calpine comments as revised by TAC. There was one abstention from the Independent Generator (Luminant) Market Segment.  **ERCOT Market Impact Statement:** ERCOT Staff has reviewed NPRR1169 and believes the market impact for NPRR1169 expands the pool of Generation Resource that qualify to provide FFSS while balancing the interests of fostering more competition in offers and increasing the amount of capacity that can be procured; and maintaining requirements designed to mitigate failure risks and result in a high level of reliability. While ERCOT sponsored and supports NPRR1169, it does not support the TAC recommendation in the 5/23/23 TAC Report.  **ERCOT Opinion:** ERCOT supports approval of NPRR1169 as reflected in the 5/9/23 ERCOT comments.  **IMM Opinion:** IMM supports NPRR1169.   * ***VCMRR031, Clarification Related to Variable Costs in Fuel Adders***   **Submitter:** ERCOT  **Proposed Effective Date:** August 1, 2023  **ERCOT Impact Analysis:** No budgetary impact; no impacts to ERCOT staffing; no impacts to ERCOT computer systems; no impacts to ERCOT business processes; no impacts to ERCOT grid operations and practices.  **Revision Description:** This VCMRR: Defines variable costs and clarifies that all cost components used to calculate a Filing Entity’s fuel adder should also be based on variable costs; Removes the minimum requirements fee cost category from the examples of cost categories that may be included in the fuel adder; and Changes the review timeline detailed in paragraph (3) of Section 3.4, Additional Rules for Submitting Fuel Costs, to give ERCOT the ability to review and follow up on more complex cost submissions.  **TAC Decision:** On 5/23/23, TAC voted to recommend approval of VCMRR031 as recommended by WMS in the 5/3/23 WMS Report. There were two opposing votes from the Independent Generator (Luminant, Calpine) Market Segment and 10 abstentions from the Cooperative (4) (GSEC, LCRA, PEC, STEC), Independent Generator (2) (Jupiter Power, ENGIE), and Municipal (4) (DME, CPS Energy, Austin Energy, GP&L) Market Segments.  **ERCOT Market Impact Statement:** ERCOT Staff has reviewed VCMRR031 and believes the market impact for VCMRR031 will align the Verifiable Cost Manual with the Protocols by removing references to a minimum requirements fee and by clarifying that all costs used to calculate fuel adders must be variable.  **IMM Opinion:** The IMM supports VCMRR031.  The TAC Reports and Impact Analyses for these Revision Requests are included in the [ERCOT Board meeting materials](https://www.ercot.com/calendar/06202023-Board-of-Directors-Meeting).  In addition, these Revision Requests ([NPRR](https://www.ercot.com/mktrules/issues/nprr)s and [VCMRR](https://www.ercot.com/mktrules/issues/vcmrr)) and supporting materials are posted on the ERCOT website.  The R&M Committee is scheduled to review these Revision Requests at its meeting on June 19, 2023, and is expected to make recommendations to the Board thereon. |
| **Key Factors Influencing Issue:** The PRS met, discussed the issues, and submitted a report to TAC regarding NPRRs 1143 and 1169.  The WMS met, discussed the issues, and submitted a report to TAC regarding VCMRR031. |
| **Conclusion/Recommendation:** As more specifically described above, TAC recommends that the Board recommend approval of NPRR1143, NPRR1169 and VCMRR031. |

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to recommend approval of the following Nodal Protocol Revision Requests (NPRRs) and Verifiable Cost Manual Revision Request (VCMRR) recommended for approval by TAC:

* NPRR1143, Provide ERCOT Flexibility to Determine When ESRs May Charge During an EEA Level 3;
* NPRR1169, Expansion of Generation Resources Qualified to Provide Firm Fuel Supply Service in Phase 2 of the Service – URGENT; and
* VCMRR031, Clarification Related to Variable Costs in Fuel Adders;

THEREFORE, BE IT RESOLVED, that the Board hereby recommends approval of NPRRs 1143 and 1169; and VCMRR031.

**CORPORATE SECRETARY’S CERTIFICATE**

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its June 20, 2023 meeting, the Board passed a motion approving the above Resolution by \_\_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_ day of June, 2023.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Jonathan M. Levine

Assistant Corporate Secretary