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| **NPRR Number** | [**1186**](https://www.ercot.com/mktrules/issues/NPRR1186) | **NPRR Title** | **Improvements Prior to the RTC+B Project for Better ESR State of Charge Awareness, Accounting, and Monitoring**  |
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| **Date** | September 22, 2023 |
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| **Submitter’s Information** |
| **Name** | Rajiv Shah |
| **E-mail Address** | rajiv.shah@octoenergy.com |
| **Company** | Octopus Energy |
| **Phone Number** | 215-520-1118 |
| **Cell Number** | 215-520-1118 |
| **Market Segment** | Independent Retail Electric Provider (IREP) |

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| **Comments**  |

Octopus Energy submits these comments to raise additional concerns regarding ERCOT’s treatment of certain Resources in the provision of Ancillary Services, and in particular how such treatment will have an adverse effect on success of the Aggregated Distributed Energy Resources (ADERs) pilot project, and ADER participation in ERCOT Ancillary Services more broadly.

Many parties have objected to the 4-hour obligation placed on Resources qualifying to provide Non-Spin Reserve (Non-Spin) as established in Nodal Protocol Revision Request (NPRR) 1096, Require Sustained Two-Hour Capability for ECRS and Four-Hour Capability for Non-Spin, and we will not rehash those objections here other than to reiterate that Octopus Energy supports a 1-hour obligation for a 1-hour service, rather than a 4-hour obligation for a 1-hour service in the case of Non-Spin.

Eolian has provided a thorough analysis of the flaws of pending NPRR1186, identifying the perverse incentives creating reliability concerns for the ERCOT grid. In its August 24, 2023, TAC Recommendation Opposition of NPRR1186, Eolian summarized as follows:

If implemented as written, NPRR1186 will: (1) impose restrictions on ESRs that will compromise grid reliability; (2) subject a subset of Resources (otherwise qualified provide multi-hour Ancillary Service products) to unreasonable operational impacts that will ultimately diminish the value of the assets; and (3) contravene the statutory requirements that (a) Ancillary Services have terms and conditions that “are not unreasonably preferential, prejudicial, discriminatory… or anticompetitive,” and (b) ERCOT maintain grid reliability and ensure that all buyers and sellers of power, including ESRs, have equal access to the ERCOT System.

Octopus Energy agrees. While ERCOT’s latest proposed changes to NPRR1186 reduce one aspect of the operational adverse impacts of the proposal as previously approved by TAC, they do not address the overall concerns as summarized above. In our view, it is neither justified nor appropriate for ERCOT to be singling out Energy Storage Resources (ESRs) through the imposition of unique operational requirements regarding State of Charge (SOC), rather than simply policing their performance in the market as ERCOT does for all other Resources.

In addition to the flaws noted by Eolian, we further note that together, these two NPRRs (1096 in combination with 1186) will also negatively impact the ADER pilot project and ADER participation in Ancillary Services more broadly. Currently, Phase I of the pilot limits ADER participation to Non-Spin. The four-hour Non-Spin duration requirement in NPRR1096 is leading ADERs to unnecessarily limit their participation in the pilot as it effectively requires Market Participants to spread one hour of value across four hours of participation. The effect of these NPRRs together devalues an ADER by 75% because, under NPRR1096, only 25% of the ADER’s capacity may be offered to provide Non-Spin for any single hour. Moreover, the risk of being deployed to provide Non-Spin indefinitely in the event ERCOT enters into emergency operations further discourages Qualified Scheduling Entities (QSEs) to bid ADERs into Non-Spin when additional Resources are needed the most.

These actions by ERCOT to diminish the market value of ADERs by imposing unreasonable operational limitations on Resources that could be providing valuable reliability services could constitute a regulatory taking without compensation.

Octopus Energy urges ERCOT to reconsider these policies to avoid creating a regulatory takings situation, to encourage rather than stunt development of new Resources such as ADERs, and to avoid creating unnecessary reliability problems by placing excessive and burdensome operational limitations on these new and inherently flexible Resources.

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| **Revised Cover Page Language** |

None

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| **Revised Proposed Protocol Language** |

None