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**Request for Proposals**

**for**

**Contracts for Capacity**

**Version 1.0**

**Date of Release: October 2, 2023**

**Proposal Deadline: November 6, 2023**

**Revision History**

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| **Date** | **Author** | **Version** | **Change reference** |
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GENERAL INFORMATION

* 1. Background and RFP Objective

As authorized by Paragraph (4) of ERCOT Protocols § 6.5.1.1, ERCOT Control Area Authority, ERCOT has identified a need to procure capacity to meet Load and reserve requirements during the winter 2023-24 Peak Load Season. This need is informed by several factors, including significant peak Load growth since last winter, recent and proposed retirements of dispatchable Generation Resources, and the frequency of recent extreme winter weather events, including Winter Storm Elliott in December 2022, Winter Storm Uri in February 2021, and the 2018 and 2011 winter storms, each of which resulted in abnormally high demand during winter weather.

Based upon probabilistic analysis, ERCOT has determined that if the ERCOT Region experienced a winter storm, during the 2023-24 winter Peak Load Season, comparable to Winter Storm Elliott in December 2022, the risk of entering an Energy Emergency Alert (EEA) during the highest-risk hour (hour ending 8:00 a.m.) would be approximately 19.9%. This would exceed the 10% probability level that constitutes an “elevated” risk under the standard ERCOT has employed for purposes of its studies conducted in support of NERC’s winter resource adequacy assessments. While ERCOT is not projecting that EEA conditions are likely to occur, ERCOT nevertheless finds this elevated risk of EEA unacceptable. ERCOT has determined that approximately 3,000 megawatts (MW) of additional capacity would be needed to reduce the probability of EEA below this 10% elevated-risk threshold.

Accordingly, ERCOT issues this request for proposals (RFP) to provide additional capacity in accordance with ERCOT Protocols § 6.5.1.1(4), which recognizes ERCOT’s “authority to prevent an anticipated Emergency Condition relating to serving Load in the current or next Season by procuring existing capacity that may be used to maintain ERCOT System reliability in a manner not otherwise delineated in the[] Protocols and the Operating Guides. . . .” Based on the risk identified in ERCOT’s analysis, ERCOT seeks to procure up to 3,000 MW of generation or Demand response capacity for the winter 2023-24 Peak Load Season (December 2023 through February 2024) with a target service start date as early as December 1, 2023 and as late as January 9, 2024.

ERCOT may award multiple offers in order to reduce the EEA risk probabilities observed in its analysis. ERCOT may reject offers that it determines do not meet the requirements of the RFP or do not cost-effectively reduce the identified risk. If multiple Contracts for Capacity are executed, all accepted offers will be paid as offered, subject to the reductions in payment described in this RFP and the October 2, 2023 Contract for Capacity Governing Document (“Governing Document”). ERCOT will not use a clearing price mechanism. The deadline for RFP proposals is as shown in the Procurement Timeline in Section 1.6.

* 1. ERCOT Background

ERCOT manages the flow of electric power to more than 26 million Texas customers, representing approximately 90 percent of the state’s electric load. As the Independent System Operator for the region, ERCOT schedules power on an electric grid that connects more than 52,700 miles of transmission lines and 1,100 generation units, including Private Use Networks. ERCOT also performs financial settlement for the competitive wholesale bulk-power market and administers retail switching for approximately 8 million premises in competitive choice areas. ERCOT is a membership-based 501(c)(4) nonprofit corporation governed by a board of directors and subject to oversight by the Public Utility Commission of Texas and the Texas Legislature. Additional information about ERCOT can be found at <http://www.ercot.com/>.

* 1. Legal Framework

ERCOT’s procurement of any capacity under a Contract for Capacity and the operation and settlement of any awarded Capacity Sources are governed by this RFP, the ERCOT Protocols, the Governing Document, and the contract for capacity between ERCOT and the awarded entity ("Contract for Capacity”). The Contract for Capacity template is embedded in Section 5.2 of this RFP.

* 1. Interpretation of Terms

In this RFP, capitalized terms are given the meaning assigned by the ERCOT Protocols, unless otherwise noted herein.

* 1. ERCOT Point of Contact

The sole point of contact for inquiries concerning this RFP and the Governing Document is:

Jimmy Ramirez

Director, Supply Chain Management

ERCOT

2705 West Lake Drive

Taylor, Texas 76574

Fax: (512) 248-3118

<mailto:>[jimmy.ramirez@ercot.com](mailto:jimmy.ramirez@ercot.com)

All communications relating to this RFP and the Governing Document must be directed to the specified ERCOT contact person noted herein. An actual or prospective submitter shall not discuss with the ERCOT contact person any matter concerning this RFP and the Governing Document before the proposal deadline, except as permitted through the question-and-answer process described below. Failure to comply with this section may result in ERCOT’s disqualification of the proposal.

* 1. Procurement Timeline

| Procurement Timeline[[1]](#footnote-2) | |
| --- | --- |
| RFP and Governing Document Release Date | Monday, October 2, 2023 |
| Questions on RFP and Governing Document/Redlines to Contract Due | Wednesday October 11, 2023 (3:00 PM CPT) |
| Questions Answered by ERCOT | Wednesday, October 18, 2023 |
| Workshop on RFP and Governing Document | Friday, October 20, 2023 (afternoon) |
| ERCOT Notice of Amendments to RFP and Other Related Documents | Monday, October 23, 2023 |
| Proposals Due | Monday, November 6, 2023 |
| Presentations (if requested by ERCOT) | Wednesday, November 7 – Monday, November 13, 2023 |
| ERCOT Notice of Awards/Issuance of Market Notice | Friday, November 23, 2023 |
| ERCOT and Target Contract Execution Date | Thursday, November 30, 2023 |
| Target Service Start Date | December 1, 2023 – January 9, 2024 |
| Service End Date | February 29, 2024 |

* 1. Questions and Comments Concerning this RFP and any Other Related Documents

Entities shall submit any questions concerning this RFP and other related documents, including recommended changes to the Contract for Capacity template, to the ERCOT contact person described above by **3:00 PM Central Prevailing Time (CPT) on Wednesday, October 11, 2023**. ERCOT will post written responses to all questions and comments by no later than Wednesday, October 18, 2023, on the ERCOT website at <http://www.ercot.com/about/procurement/rfp/index>.

* 1. Amendments to RFP and any Other Related Documents

ERCOT reserves the right to amend this RFP and other related documents. ERCOT will provide notice of any amendments to this RFP and other related documents no later than Monday, October 23, 2023 and post any such amendments on the ERCOT website at <http://www.ercot.com/about/procurement/rfp/index>.

* 1. RFP Cancellation/Non-Award

ERCOT reserves the right to cancel this RFP or to make no award pursuant to this RFP.

* 1. No Reimbursement for Costs of Proposals

ERCOT will not reimburse any entity for costs of developing a proposal in response to this RFP.

1. SCOPE AND REQUIREMENTS
   1. Project Scope Overview

The purpose of this RFP is to solicit proposals for additional eligible Generation Resource or Demand response capacity to be available for ERCOT deployment to prevent an anticipated Emergency Condition relating to serving Load in the 2023-24 winter Peak Load Season. The service consists of making capacity available to ERCOT for deployment during the contracted service period and complying with ERCOT deployment instructions, as further described in this RFP and in the Governing Document.

* + 1. ERCOT will evaluate qualified offer submissions based on offer price and incremental cost-effectiveness in reducing the risk of entering into an EEA during the contracted service period.
    2. The Contract for Capacity will obligate each awarded entity to provide the capacity for a period that begins on a specified date between December 1, 2023 and January 9, 2024, inclusive, and ends on February 29, 2024.
    3. Each Entity that is awarded a Contract for Capacity must comply with all requirements established in the Governing Document, including without limitation all telemetry requirements, dispatch procedures, availability requirements, event and test performance criteria, and communications requirements.
  1. Eligible Proposals
     1. Entities may submit proposals to provide capacity from any one of the following sources (each of which is hereinafter referred to as a “Capacity Source”), provided that the proposed Capacity Source meets the requirements of this RFP and the Governing Document:
* Mothballed dispatchable Generation Resources (as of December 1, 2023);
* Seasonally Mothballed dispatchable Generation Resources (as of December 1, 2023);
* Dispatchable Generation Resources that have decommissioned since December 1, 2020;
* Dispatchable Generation Resources currently in the interconnection queue for which commercial operations could feasibly be accelerated to occur on or between December 1, 2023 and January 9, 2024 while meeting all requirements under ERCOT Protocols and Operating Guides;
* Customers with peak Demand response capability equal to or greater than 1 MW that did not exhibit price-responsive behavior during winter 2022-23, as further described in the Governing Document; or
* Aggregations of Customer sites with peak Demand response capability that did not exhibit price-responsive behavior during winter 2022-23, as further described in the Governing Document, including sites with unregistered dispatchable generation that may offset Load or inject power into the ERCOT System, if each aggregation exceed 1 MW of peak Demand response.
  + 1. Only a Resource Entity or its Qualified Scheduling Entity (QSE) may submit a proposal for a proposed Generation Resource to serve as a Capacity Source under this RFP. Subject to qualifications established in this RFP and in the Governing Document, any Entity may submit a proposal for a proposed Demand response Capacity Source.
    2. An Entity that submits a proposal must be authorized to do business in Texas.
    3. For the purposes of this RFP, a Generation Resource is considered “dispatchable” if it utilizes a combustion turbine, steam turbine, hydroelectric turbine, or reciprocating engine technology or storage technology that is capable of deploying at the obligated level of capacity for the maximum duration required for any single deployment under this Contract for Capacity.
    4. Each offered Capacity Source must provide at least 1 MW of capacity.
    5. By submitting a proposal for a Generation Resource Capacity Source, the offering Entity understands that the information included on the Offer Sheet, including fuel-related information, will be relied upon by ERCOT for purposes of evaluating awards and for purposes of Settlement, subject to ERCOT’s determination of actual cost.
    6. For Demand Response Capacity Sources, the offering Entity must select one or more of the following categories of availability for the Capacity Source in its Offer Sheet:
* Category 1 (obligated all hours of each day between the start date and 2/29/24)
* Category 2 (obligated for hour ending (HE) 0500 through HE 1000 each day from the start date through 2/29/24)
* Category 3 (obligated for HE 1800 through HE 2300 each day from the start date through 2/29/24)
* Category 4 (obligated from HE 0500 through HE 1000 AND from HE 1800 through HE 2300 each day from the start date through 2/29/24)

A Demand Response Capacity Source may be offered in more than one of the above categories, and each such category designation may be offered at a different price with a different MW amount. A Demand Response Capacity Source may be awarded for only one category. If a Demand Response Capacity Source is offered in multiple categories and would be eligible for clearing in more than one category, ERCOT will select the offer that it determines has the greatest reliability benefit for the total expected cost based on the offered price.

* + 1. Any Customer that is considered a critical load, including a critical natural gas facility, as those terms are defined in 16 Texas Administrative Code § 25.52, is not eligible to be offered as a Capacity Source in this program. By submitting a proposal in response to the RFP, the entity is attesting that none of the sites identified in the Demand Response Capacity Source Site Information spreadsheet are critical loads.
    2. Each offered Capacity Source must comply with all eligibility requirements established in this RFP and the Governing Document. ERCOT may reject any offer that does not comply with these requirements.
  1. Payments

An Entity that enters into a Contract for Capacity with ERCOT pursuant to this RFP will be compensated as described in the Governing Document. Failure by any Entity to provide the contracted service will result in withholding or claw-back of all or part of the payment pursuant to the Governing Document and the Contract for Capacity and may subject the Entity to enforcement action by the Public Utility Commission of Texas, among other remedies that may be provided in the Contract for Capacity, the Governing Document, and this RFP.

1. GENERAL INSTRUCTIONS AND RESPONSE REQUIREMENTS
   1. Questions and Comments

All questions and comments regarding this RFP and other related documents must be submitted electronically to the email address contained in Section 1.5, ERCOT Point of Contact. All questions must reference the appropriate RFP or related document page and section number. In order to receive a response, questions and comments must be received no later than **3:00 PM CPT on the deadline set forth in Section 1.6, Procurement Timeline**. Questions in anonymized form and ERCOT’s responses will be posted to the ERCOT RFP Index web page at <http://www.ercot.com/about/procurement/rfp/index>. Questions received after the due date may be reviewed by ERCOT but may not receive a response. A submitter must inquire in writing as to any ambiguity, conflict, discrepancy, exclusionary specification, omission or other error in this RFP or related document prior to submitting a proposal.

ERCOT reserves the right to amend its responses to questions prior to the proposal submission deadline.

* 1. Modification or Withdrawal of Proposal

Proposals may be withdrawn from consideration at any time prior to the notice of any Contract for Capacity award (*see* Section 1.6). A request for withdrawal must be submitted via email from the submitter’s representative to the ERCOT Point of Contact.

A submitter has the right to amend its proposal at any time by amendment delivered via email from the submitter’s representative to the ERCOT Point of Contact prior to the proposal submission deadline (*see* Section 1.6).

* 1. Incomplete Proposals

ERCOT may reject without further consideration any incomplete proposal.

* 1. Consent to Obtain Information

By submitting a proposal, an Entity grants ERCOT the right to obtain information from any lawful source regarding: (i) the past business history, practices, conduct and ability of the Entity to supply goods, services, and deliverables; and (ii) the past business history, practices, conduct, and ability of the Entity’s directors, officers, and employees.

* 1. Instructions for Submitting Proposals
     1. Submission

Submit all copies of the proposal to the ERCOT Point of Contact no later than **3:00 PM CPT on the submission deadline** (*see* Section 1.5 & 1.6). The proposal must be signed by an authorized representative of the submitter and submitted via email. The file must not exceed 20MB. If this size restriction cannot be met, multiple emails may be sent, but the submitter must indicate how many emails ERCOT should anticipate (*i.e.*, email 1 of 3). Proposals must be submitted electronically using the applicable Offer Sheet template from Appendix A. A submitter may include any additional proposal-related information in an appendix. All offers, whether accepted or rejected, will become the property of ERCOT. ERCOT will treat RFP proposals and any associated presentations or other information associated with a proposal as confidential. However, any Contract for Capacity will be publicly available. Late submissions will not be considered. After the deadline for proposals, ERCOT may request a resubmission of any proposal that ERCOT determines requires correction.

* + 1. Additional Requirements

All proposals must be:

* Clearly legible;
* Sequentially page-numbered;
* Organized in the sequence outlined in Sections 3.6.1 and 3.6.2;
* Limited to 50 pages (excluding ERCOT-required forms);
* Responsive to the requirements of this RFP and the related documents;
* Proposals should include the submitter’s name at the top of each page and shall not include unrequested materials or pamphlets.
  1. Format and Content

The proposal must consist of two separate parts and must be sent in two separate attachments:

1. Part 1 – Business Proposal; and

(2) Part 2 – Cost Proposal.

* + 1. Part 1 -- Summary and Entity Information

The Business Proposal must include:

Section 1 – Executive Summary;

Section 2 – Entity Information;

**Section 1 -- Executive Summary**

In this section, the submitter shall condense and highlight the content of the proposal to provide ERCOT with a general understanding of the Entity’s approach to meeting ERCOT’s objectives for this procurement.

**Section 2 -- Entity Information**

This section shall include the following information:

* Entity’s full legal name;
* Headquarters address;
* Type of ownership (e.g., partnership, corporation);
* The name of any parent organization(s);
* The state in which the Entity is incorporated;
* Federal taxpayer identification;
* Name and title of person who will sign the Contract for Capacity; and
* Name and title of person responsible for responding to questions regarding the proposal, with telephone number, facsimile number, and email address.
  + 1. Part 2 -- Proposal
       1. For each Generation Resource, Customer site or aggregation of Demand Response sites that is offered as a Capacity Source, the submitter shall provide the appropriate completed Offer Sheet template in Appendix A.
       2. For each Capacity Source that includes one or more Customer sites providing Demand response, the submitting Entity shall submit the Demand Response Capacity Source Site Information spreadsheet in Appendix A and provide the requested information for each participating site.
       3. A submitter must also provide the following information:
* A comprehensive description of the proposed Capacity Source.
* Any operational, contractual, or other factors that could increase the ultimate cost of any Contract for Capacity.
* A project development plan that describes the steps needed to make the offered Capacity Source available by the proposed start date and establishes the feasibility of those steps, including without limitation any necessary permits, government or utility approvals and interconnections, project financing, and modifications or additions of plant equipment.
* A project schedule or Gantt chart illustrating the schedule to achieve the project development plan.
* The name and contact information of at least one representative who will have decision-making authority with respect to the operation of proposed Capacity Source.
* Any additional information the submitter believes may assist ERCOT in its selection process.
  1. Multiple Responses

An Entity may submit more than one proposal.

1. EVALUATION
   1. Evaluation of Proposals

ERCOT will select one or more proposals from Entities through an internal evaluation process. ERCOT will consider capabilities or advantages that are clearly described in each proposal, which may be confirmed by presentations, site visits, or demonstrations if required, and verified by information from reference sources contacted by ERCOT. ERCOT reserves the right to contact individuals, entities or organizations that have had dealings with the Entity.

* 1. Evaluation Criteria

ERCOT will accept the offers or combination of offers that provide the most cost-effective means to reduce the probability of entering into an EEA event during winter peak Load conditions. ERCOT may reject any proposal that ERCOT reasonably determines presents an undue concern regarding the ability of the submitter to comply with the requirements of the RFP or the Governing Document. The primary criteria for evaluating the proposals as related to this RFP are as follows:

1. The submitter’s ability to meet the requirements set forth in Section 2.

2. The submitter’s total offer price per MW.

ERCOT may also consider the following factors:

* The submitter’s ability to provide the required capacity;
* The submitter’s ability to satisfy objective financial criteria;
* The likelihood that the proposed Capacity Source will be available by the expected start date;
* The operational characteristics of the proposed Capacity Source, based on its anticipated overall impact to grid reliability;
* Any other factor that may raise a reasonable doubt about an offered Capacity Source’s ability to comply with obligations under this RFP or the Governing Document.
  1. Presentations and Site Visits

ERCOT may, at its sole discretion, request presentations, site visits, and/or demonstrations from any Entity that submits a proposal in response to this RFP. ERCOT will notify such submitters of the time and location for these activities and may supply agendas or topics for discussion. ERCOT reserves the right to ask additional clarifying questions at any time, including during presentations, site visits, and/or demonstrations as a condition for issuing an award.

1. APPENDICES

* 1. APPENDIX A: Offer Sheet Templates

Offers shall be submitted using the following Offer Sheet templates. Any additional supporting information may be submitted as an attachment.



Spreadsheet for Identifying Sites in Demand Response Capacity Sources:



* 1. APPENDIX B: Contract for Capacity Template

The embedded file below is the Contract for Capacity template:



1. Unless otherwise noted in this RFP, all Business Day deadlines shall include a Business Hour deadline of 5:00 PM Central Prevailing Time (CPT). [↑](#footnote-ref-2)