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| VCMRR Number | XXX | VCMRR Title | Mitigated Offer Cap for Hydro Generating Resources |
| Date Posted | | TBD | |
|  | |  | |
| Requested Resolution | | Normal | |
| Verifiable Cost Manual Sections Requiring Revision | | Appendix 10: Setting the Variables Used in the Mitigated Offer Cap for Hydro Generating Resources (new) | |
| Related Documents Requiring Revision/Related Revision Requests | | None | |
| Revision Description | | This Verifiable Cost Manual Revision Request (VCMRR) adds a procedure to Appendix 10 for setting the Variable O&M to the Real-Time System Wide Offer Cap (RTSWCAP) and the incremental heat rate value to zero for Hydro Generating Resources used in the Mitigated Offer Cap (MOC) to ensure that the MOC is at least equal to or higher than the RTSWCAP. | |
| Reason for Revision | | [Strategic Plan](https://www.ercot.com/files/docs/2023/08/25/ERCOT-Strategic-Plan-2024-2028.pdf) Objective 1 – Be an industry leader for grid reliability and resilience  [Strategic Plan](https://www.ercot.com/files/docs/2023/08/25/ERCOT-Strategic-Plan-2024-2028.pdf) Objective 2 - Enhance the ERCOT region’s economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers  [Strategic Plan](https://www.ercot.com/files/docs/2023/08/25/ERCOT-Strategic-Plan-2024-2028.pdf) Objective 3 - Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission  Administrative  Regulatory requirements  ERCOT Board/PUCT Directive  *(please select ONLY ONE – if more than one apply, please select the ONE that is most relevant)* | |
| Justification of Reason for Revision and Market Impacts | | Key Principle (KP) 1.3 (3) as established by the Real-Time Co-optimization Task Force (RTCTF) and approved by the ERCOT Board of Directors (Board), requires that on-line Hydro Generation Resources not operating in Synchronous Condenser Fast-Response mode will be able to maintain RRS, Non-Spin, and ECRS through modification of the MOC. In addition, combined comments submitted to KP1.3 further state that under RTC, On-Line Hydro Generation Resources not operating in Synchronous Condenser Fast-Response mode must adhere to constraints imposed by governmental agencies or by treaty regarding the operations of those Resources.  These Resources often have the opportunity to provide incremental energy in response to an Ancillary Service (AS) deployment and are therefore good candidates to provide AS, but cannot regularly exchange the AS capacity for an incremental energy deployment.  Hence, the MOC for On-Line Hydro Generation Resources shall be set equal to the submitted Energy Offer Curve.  Given constraints on Hydro Generation Resources as described above and that these Resources are not dispatched by SCED when operating in synchronous condenser mode, ERCOT proposes setting the Variable O&M to the RTSWCAP and the incremental heat rate value to zero to ensure that the MOC is at least equal to or higher than the RTSWCAP. | |

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| Market Segment | Not applicable |

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| Proposed Verifiable Cost Manual Language Revision |

**Appendix 10: Setting the variables used in Mitigated Offer Cap for Hydro Generating Resources**

**Description**

For Hydro Generation Resources the variable operation and maintenance (VOM) cost used in the Mitigated Offer Cap (MOC) shall be set to the Real-Time System Wide Offer Cap (RTSWCAP). In addition, for these Resources, the incremental heat rate values used in the MOC shall be set equal to zero. Hence, for purposes of applying these values to the MOC, Hydro Resources will be treated as if they had approved Verifiable Costs for costs above LSL.