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| NPRR Number | [1222](https://www.ercot.com/mktrules/issues/NPRR1222) | NPRR Title | Public Utility Commission of Texas Approval of the Methodology for Determining Ancillary Service Requirements |
| Date of Decision | | May 9, 2024 | |
| Action | | Recommended Approval | |
| Timeline | | Normal | |
| Estimated Impacts | | Cost/Budgetary: None  Project Duration: No project required | |
| Proposed Effective Date | | The first of the month following Public Utility Commission of Texas (PUCT) approval | |
| Priority and Rank Assigned | | Not applicable | |
| Nodal Protocol Sections Requiring Revision | | 3.16, Standards for Determining Ancillary Service Quantities | |
| Related Documents Requiring Revision/Related Revision Requests | | ERCOT Methodologies for Determining Minimum Ancillary Service Requirements | |
| Revision Description | | This Nodal Protocol Revision Request (NPRR), consistent with ERCOT discussions with the PUCT, elevates final approval of the Other Binding Document titled, “ERCOT Methodologies for Determining Minimum Ancillary Service Requirements”, from the ERCOT Board of Directors to the PUCT. | |
| 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  General system and/or process improvement(s)  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 | | Procurement of the suite of Ancillary Services has wide-ranging and significant impacts to operation of the ERCOT grid and ERCOT wholesale-market outcomes. In recognition of this significance, ERCOT, through discussion with the PUCT, proposes to include the PUCT as the final decision maker regarding changes to the Ancillary Service methodology. This NPRR is consistent with those PUCT discussions.  ERCOT notes this NPRR only covers the PUCT approval of the Ancillary Service methodology. ERCOT intentionally limited the changes proposed in this NPRR in the hope it will go through the stakeholder process and be approved in time to be effective for PUCT approval of any changes to the 2025 Ancillary Service methodology. Future Revision Requests will be submitted for any other substantive changes to the Ancillary Service methodology that may result from ongoing stakeholder discussions or pending PUCT Project No. 55845, *Review of Ancillary Services in the ERCOT Market*. | |
| PRS Decision | | On 4/5/24, PRS voted unanimously to recommend approval of NPRR1222 as submitted. All Market Segments participated in the vote.  On 5/9/24, PRS voted unanimously to endorse and forward to TAC the 4/5/24 PRS Report and 3/20/24 Impact Analysis for NPRR1222. All Market Segments participated in the vote. | |
| Summary of PRS Discussion | | On 4/5/24, ERCOT Staff provided an overview of NPRR1222 and confirmed that under NPRR1222 the annual Ancillary Service methodology review process would commence earlier in the calendar year to accommodate PUCT approval by the end of year.  On 5/9/24, there was no discussion. | |

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| **Opinions** | |
| Credit Review | ERCOT Credit Staff and the Credit Finance Sub Group (CFSG) have reviewed NPRR1222 and do not believe that it requires changes to credit monitoring activity or the calculation of liability. |
| Independent Market Monitor Opinion | To be determined |
| ERCOT Opinion | ERCOT supports approval of NPRR1222. |
| ERCOT Market Impact Statement | ERCOT Staff has reviewed NPRR1222 and believes the market impact for NPRR1222 appropriately incorporates the PUCT into the approval structure of the Ancillary Service methodology Other Binding Document. |

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| Market Segment | Not applicable |

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| **Comments Received** | |
| Comment Author | **Comment Summary** |
| None |  |

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| **Market Rules Notes** |

Please note the baseline Protocol language in Section 3.16 has been updated to reflect the incorporation of the following NPRR(s) into the Protocols:

* NPRR1213, Allow DGRs and DESRs on Circuits Subject to Load Shed to Provide ECRS and Clarify Language Regarding DGRs and DESRs Providing Non-Spin (incorporated 5/1/24)

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| Proposed Protocol Language Revision |

3.16 Standards for Determining Ancillary Service Quantities

(1) ERCOT shall comply with the requirements for determining Ancillary Service quantities as specified in these Protocols and the ERCOT Operating Guides.

(2) ERCOT shall, at least annually, determine with supporting data, the methodology for determining the quantity requirements for each Ancillary Service needed for reliability, including:

(a) The percentage or MW limit of ERCOT Contingency Reserve Service (ECRS) allowed from Load Resources providing ECRS;

(b) The maximum amount (MW) of Responsive Reserve (RRS) that can be provided by Resources capable of Fast Frequency Response (FFR);

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| ***[NPRR1128: Replace item (b) above with the following upon system implementation:]***  (b) The maximum amount (MW) of Responsive Reserve (RRS) that can be provided by Resources capable of Fast Frequency Response (FFR) and specify the Operating Hours where prioritizing procurement of FFR up to the maximum FFR amount is beneficial in improving reliability; |

(c) The maximum amount (MW) of Regulation Up Service (Reg-Up) that can be provided by Resources providing Fast Responding Regulation Up Service (FRRS-Up); and

(d) The maximum amount (MW) of Regulation Down Service (Reg-Down) that can be provided by Resources providing Fast Responding Regulation Down Service (FRRS-Down).

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| ***[NPRR1007: Delete items (c) and (d) above upon system implementation of the Real-Time Co-Optimization (RTC) project and renumber accordingly.]*** |

(e) The minimum capacity required from Resources providing RRS using Primary Frequency Response shall not be less than 1,150 MW.

(3) The ERCOT Board shall review and recommend approval of ERCOT's methodology for determining the minimum Ancillary Service requirements, any minimum capacity required from SCED dispatchable Resources to provide Non-Spin, the minimum capacity required from Resources providing Primary Frequency Response to provide RRS, the maximum amount of RRS that can be provided by Resources capable of FFR, and the maximum amount of Reg-Up and Reg-Down that can be provided by Resources providing FRRS-Up and FRRS-Down. Any such recommendations require approval by the Public Utility Commission of Texas (PUCT) prior to implementation.

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| ***[NPRR1007, NPRR1128, NPRR1171, NPRR1183, and NPRR1213: Replace applicable portions of paragraph (3) above with the following upon system implementation of the Real-Time Co-Optimization (RTC) project for NPRR1007; or upon system implementation for NPRR1128, NPRR1171, or NPRR1183; or upon system implementation and upon system implementation of NPRR1171 for NPRR1213:]***  (3) The ERCOT Board shall review and recommend approval of ERCOT's methodology for determining the minimum Ancillary Service requirements, any minimum capacity required from Security-Constrained Economic Dispatch (SCED) dispatchable Resources to provide Non-Spinning Reserve (Non-Spin), the maximum amount of Non-Spin that can be provided by Distribution Generation Resources (DGRs) and Distribution Energy Storage Resources (DESRs) that are interconnected to a distribution circuit that is subject to Load shed, the maximum amount of ECRS that can be provided by DGRs and DESRs that are interconnected to a distribution circuit that is subject to Load shed, the minimum capacity required from Resources providing Primary Frequency Response to provide RRS, the maximum amount of RRS that can be provided by Resources capable of FFR, and the Operating Hours where prioritizing procurement of FFR up to the maximum FFR amount is beneficial in improving reliability. ERCOT shall post on the ERCOT website the ERCOT Methodologies for Determining Minimum Ancillary Service Requirements approved by the ERCOT Board. Any such recommendations require approval by the Public Utility Commission of Texas (PUCT) prior to implementation. |

(4) If ERCOT determines a need for additional Ancillary Service Resources under these Protocols or the ERCOT Operating Guides, after an Ancillary Service Plan for a specified day has been posted, ERCOT shall inform the market by posting notice on the ERCOT website, of ERCOT’s intent to procure additional Ancillary Service Resources under Section 6.4.9.2, Supplemental Ancillary Services Market. ERCOT shall post the reliability reason for the increase in service requirements.

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| ***[NPRR1007: Delete paragraph (4) above upon system implementation of the Real-Time Co-Optimization (RTC) project and renumber accordingly.]*** |

(5) Monthly, ERCOT shall determine and post on the Market Information System (MIS) Secure Area a minimum capacity required from Resources providing RRS using Primary Frequency Response. The remaining capacity required for RRS may be supplied by all Resources qualified to provide RRS, provided that RRS from Load Resources on high-set under-frequency relays and Resources providing FFR shall be limited to 60% of the total ERCOT RRS requirement. ERCOT may increase the minimum capacity required from Resources providing RRS using Primary Frequency Response if it believes that the current posted quantity will have a negative impact on reliability or if it would require additional Regulation Service to be deployed.

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| ***[NPRR1128 and NPRR1183: Replace applicable portions of paragraph (5) above with the following upon system implementation:]***  (5) Monthly, ERCOT shall determine and post on the ERCOT website a minimum capacity required from Resources providing RRS using Primary Frequency Response. The remaining capacity required for RRS may be supplied by all Resources qualified to provide RRS, provided that RRS from Load Resources on high-set under-frequency relays and Resources providing FFR shall be limited to 60% of the total ERCOT RRS requirement. ERCOT may increase the minimum capacity required from Resources providing RRS using Primary Frequency Response if it believes that the current posted quantity will have a negative impact on reliability or if it would require additional Regulation Service to be deployed. ERCOT may add more Operating Hours where prioritizing procurement of FFR up to the maximum FFR amount is beneficial in improving reliability if it believes that these additional hours are vulnerable to low system inertia. ERCOT will issue an operations notice when such a change is made. |

(6) The amount of RRS that a Qualified Scheduling Entity (QSE) can self-arrange using a Load Resource excluding Controllable Load Resources and Resources providing FFR is limited to its Load Ratio Share (LRS) of the capacity allowed to be provided by Resources not providing RRS using Primary Frequency Response established in paragraph (5) above, provided that RRS from these Resources shall be limited to 60% of the total ERCOT RRS requirement.

(7) However, a QSE may offer more of the Load Resource above the percentage limit established by ERCOT for sale of RRS to other Market Participants. The total amount of RRS using the Load Resource procured by ERCOT is also limited to the capacity established in paragraph (5) above, up to the lesser of the 60% limit or the limit established by ERCOT in paragraph (5) above.

(8) Monthly, ERCOT shall determine and post on the MIS Secure Area a minimum capacity required from Resources providing ECRS. The amount of Load Resources excluding Controllable Load Resources that may or may not be on high-set under-frequency relays providing ECRS is limited to 50% of the total ERCOT ECRS requirement.

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| ***[NPRR1183: Replace paragraph (8) above with the following upon system implementation:]***  (8) Monthly, ERCOT shall determine and post on the ERCOT website a minimum capacity required from Resources providing ECRS. The amount of Load Resources excluding Controllable Load Resources that may or may not be on high-set under-frequency relays providing ECRS is limited to 50% of the total ERCOT ECRS requirement. |

(9) The amount of ECRS that a QSE can self-arrange using a Load Resource excluding Controllable Load Resources is limited to the lower of:

(a) 50% of its ECRS Ancillary Service Obligation; or

(b) A reduced percentage of its ECRS Ancillary Service Obligation based on the limit established by ERCOT in paragraph (8) above.

(10) A QSE may offer more of the Load Resource above the percentage limit established by ERCOT for sale of ECRS to other Market Participants. The total amount of ECRS using the Load Resource excluding Controllable Load Resources procured by ERCOT is also limited to the lesser of the 50% limit or the limit established by ERCOT in paragraph (9) above.

(11) The maximum MW amount of capacity from Resources providing FRRS-Up is limited to 65 MW. ERCOT may reduce this limit if it believes that this amount will have a negative impact on reliability or if this limit would require additional Regulation Service to be deployed.

(12) The maximum MW amount of capacity from Resources providing FRRS-Down is limited to 35 MW. ERCOT may reduce this limit if it believes that this amount will have a negative impact on reliability or if this limit would require additional Regulation Service to be deployed.

(13) Resources can only provide FRRS-Up or FRRS-Down if awarded Regulation Service in the Day-Ahead Market (DAM) for that particular Resource, up to the awarded quantity.

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| ***[NPRR1007: Delete paragraphs (11)-(13) above upon system implementation of the Real-Time Co-Optimization (RTC) project.]*** |