

Workshop: Requests for Proposals for Contract for Capacity for Summer 2024



ERCOT

May 24, 2024

ERCOT Public

Overview

- ERCOT is seeking to procure, for most of the 2024 summer Peak Load Season, Demand response capacity to provide up to 500 MW of relief on certain transmission facilities that were recently made subject to Interconnection Reliability Operating Limits (IROLs) under NERC reliability requirements.
- The procurement is driven by significant Load growth in the ERCOT region, and the reliability need to limit power transfers across the relevant transmission facilities.
- ERCOT has established South Texas Export Generic Transmission Constraints (GTCs) which will enable ERCOT's Security Constrained Economic Dispatch (SCED) software to manage generation dispatch within the IROLs' limits the majority of the time. However, last summer, before establishment of these GTCs and IROLs and topology reconfigurations that assist in relieving loading on the constraints, the relevant transmission facilities were overloaded numerous times.

Overview (Continued)

- ERCOT Protocols § 6.5.1.1, authorize ERCOT to procure capacity that may be used to maintain ERCOT System reliability to prevent an anticipated Emergency Condition.
- The ERCOT Protocols, including § 6.5.1.1(4); the Request for Proposal (RFP); the Governing Document; and the contracts for capacity that would be executed with awarded Qualified Scheduling Entities (QSEs) govern. To the extent any representations in this presentation differ, the Protocols, RFP, Governing Document, and contracts control.
- ERCOT is following an open, RFP process.

Summary of ERCOT's Analysis

- ERCOT analyzed power-flow data from recent years regarding the relevant transmission facilities. The table below shows the magnitude, numbers of days, and 5-minute intervals in the 2023 summer Peak Load Season when the ratings of the relevant transmission facilities were exceeded.

Summer 2023						
Violation %	105%+	110%+	115%+	120%+	125%+	130%+
# of days	70	25	11	10	3	2
# of 5 min intervals	548	140	67	32	10	8

- The maximum exceedance observed last summer was 139%; 40% of each facility's limit equals 472 MW. Thus, an amount of up to 500 MW of relief on the constraints would resolve the max exceedance last year with additional allowance for Load growth.
- Since establishment of the GTCs, ERCOT has introduced topology reconfiguration schemes that have a ~15% reduction in power flows over the relevant transmission facilities. Therefore, ERCOT's decision to seek offers to provide a maximum of 10 or 20 deployments.

Summary of ERCOT's Analysis (Continued)

- ERCOT's analysis of power-flow data from recent years regarding the relevant transmission facilities also identified the hours of highest risk for approaching the relevant IROLs: 3:00-9:00 PM (CPT) each day. ERCOT notes it observed a slight shift towards the late afternoon regarding the frequency and magnitude of ratings exceedances in the past couple of summers.
- Finally, the longest duration of a ratings exceedance last summer (lasting just under 3 hours) informed the 4-hour maximum deployment time. The additional hour accommodates the deployment of any procured capacity as the power flow over the relevant transmission facilities approaches the IROLs.

Procurement Timeline

Procurement Timeline ¹	
RFP and Governing Document Release Date	Wednesday, May 8, 2024
Questions on RFP and Governing Document/Redlines to Contract Due	Thursday, May 16, 2024 (3:00:00 PM CPT)
Questions Answered by ERCOT	Thursday, May 23, 2024
WebEx-only Workshop on RFP and Governing Document	Friday, May 24, 2024 (morning)
ERCOT Notice of Amendments to RFP and Other Related Documents	Wednesday, May 29, 2024
Proposals Due	Thursday, June 13, 2024 (3:00:00 PM CPT)
Presentations (if requested by ERCOT)	Monday, June 17 – Monday, June 24, 2024
ERCOT Notice of Awards/Issuance of Market Notice	Tuesday, June 25, 2024
ERCOT and Target Contract Execution Date	Friday, June 28 – Monday, Jul. 29, 2024
Target Service Start Date	Monday, July 1 (12:00:00 AM CPT) – Thursday, Aug. 1, 2024 (12:00:00 AM CPT)
Service End Date	September 30, 2024 (11:59:59 PM CPT)

Key Details of the RFP - General

- Seeking capacity from Demand response Capacity Sources (≥ 1 MW).
 - Customers at individual sites and aggregations of Customer sites with peak Demand response capability exceeding 1 MW, including sites with unregistered dispatchable generation that may offset Load if such aggregations exceed 1 MW of Demand response.
 - These sites must not currently be participating in a TDU Demand response program, nor in Emergency Response Service during Time Periods 3,4,5, and/or 7. Additionally, non-Residential sites must not have exhibited price-responsive behavior after May 1, 2023.
 - The Demand Response Capacity Source shall have a Ramp Period of no longer than 20 minutes.
 - Customers designated as critical Loads are not eligible to provide capacity under this procurement.
- ERCOT is only seeking proposals from Demand Response Capacity Sources capable of contributing relief on the constraints, *i.e.*, having beneficial shift factors on the constraints.

Key Details of the RFP – General (continued)

- The time period during which awarded Demand response capacity sources could be deployed is 3:00-9:00 PM CPT, with no more than one deployment per day, and no deployment exceeding four hours.
- The first day of the Contract Period could be as early as July 1, 2024, but no later than August 1, 2024. The last day of the Contract Period shall be September 30, 2024.

Key Details – Hours of Obligation and Deployments

Demand response Capacity Sources must be available during 3:00:00 p.m. to 9:00:00 p.m. CPT every day during the Contract Period. ERCOT Contract for Capacity deployments may only occur during these hours.

- No ERCOT Contract for Capacity deployment will last longer than 4 hours, and there may only be 1 deployment on any day.
- Demand response Capacity Sources may choose, when offering, among the maximum number of ERCOT Contract for Capacity deployments during the Contract Period:
 - 10 times;
 - 20 times; or
 - Both.
- Any awards made will specify whether ERCOT is awarding for a maximum of 10 or 20 ERCOT Contract for Capacity deployments.

Key Details - Settlement

- The Hourly Standby Payments will be based on the awarded quantity and the offer price, adjusted for availability and performance; no single-clearing price.
- ERCOT will settle with the QSE representing the Demand Response Capacity Source.
- Settlement will occur monthly, after availability and performance have been determined and the final settlement has occurred for the last Operating Day of each calendar month (e.g., payments for August 2024 would likely be in early November 2024).
- Allocation will be based on the Hourly Load Ratio Share as of the final settlement for the month for each Hour of Obligation.
- The payment and allocation will be settled with QSEs on a Miscellaneous Invoice using existing settlement processes.

Key Details - Additional information

- Per Governing Document § 2.5.2 paragraph 1, if an offered site is in a NOIE service area, the QSE is responsible for arranging with the NOIE TDSP to provide ERCOT with 12 months of premise-level interval meter data. If a Site was energized within the last 12 months, and has interval data starting before May 1, 2023, the 12-month requirement will not apply.
- The offering QSE shall ensure the NOIE TDSP contacts ERCOT's Point of Contact **on or before June 13** so that ERCOT may create a secure file share for ERCOT's receipt of premise-level interval meter data by June 13 at 3:00 PM CPT.
- ERCOT intends to make amendments to at least the Governing Document and the counties list based on feedback from QSEs and internal review. The amended documents will be posted by Wednesday, May 29. Revisions will include changes to
 - the definition of high price days to “days when prices were more than \$500 for 4 or more consecutive intervals;”
 - performance and availability calculations; and
 - correcting the shift factor range in Fort Bend county.

Key Responses to Questions Received

Question 1	The Governing Document for the summer 2024 capacity RFP includes eligibility requirements for “non-residential” aggregations in Section 2.3 Capacity Source Identification and Eligibility. There are no eligibility requirements included for residential aggregations. Are residential aggregations prohibited from participating? If not, what are the eligibility requirements? If yes, where is that prohibition clearly stated in the RFP or Governing Document?
Answer 1	<p>Aggregations of residential Sites are NOT prohibited from participating.</p> <p>Eligibility requirements for residential aggregations are listed in various places in Section 2.3 of the Governing Document. They include:</p> <ul style="list-style-type: none"> Must have an ESIID or Unique Meter ID. Must have been energized and have interval data since May 1, 2023, in ERCOT’s Settlement System, provided to ERCOT by a NOIE TDSP or submitted by the QSE. Must not be participating in the Summer ERS Contract Term during Time –Periods 3,4,5, or 7. Must not be participating in a TDSP Load Management Program. May only be submitted on one offer. If multiple offers include the same site, the first valid submission prevails.
Question 2	Regarding Section 2.2.2, pages 7 – 8 of the ERCOT Summer RFP, does the price responsiveness requirement apply to an aggregation as a whole, or can one non-residential participant’s prior price responsive behavior nullify the eligibility of the entire aggregation?
Answer 2	<p>Residential Sites are not subject to the price responsiveness test.</p> <p>For aggregations with non-residential Sites, one price responsive participant would nullify the eligibility of the aggregation. ERCOT would recommend an early submission to allow identification of price responsive Sites. The QSE would then have an opportunity to modify and resubmit the offer. Similarly, Sites with non-beneficial shift factors would be identified and could be removed by the RFP respondent if done before the submission deadlines.</p>
Question 56	Please confirm that ERCOT’s definition of high price days is “days when prices were more than \$200 for 4 or more consecutive intervals.”
Answer 56	ERCOT intends to modify the definition in paragraph 7 of Section 2.3 of the Governing Document so that high price days will be “days when prices were more than \$500 for 4 or more consecutive intervals.” The amended Governing Document will be posted by Wednesday May 29.

Key Responses to Questions Received (Continued)

Question 49	If different BTM resources are available (tstats, batteries, etc), can they be combined into the same aggregation subject to the 1 MW min capacity?
Answer 49	Yes.
Question 17	ERCOT states “including Customers with one or more Settlement Only Generators, unregistered generators, or unregistered energy storage systems that may offset Load.” Is ERCOT only looking for these types of resources?
Answer 17	ERCOT is seeking DR Capacity Sources that reduce load consumed from the grid based on an ERCOT instruction. The method for accomplishing the Load Reduction includes both reducing load and off-setting load with sources behind the meter. It is not limited to the categories listed above.
Question 12	Per section 4.1, “ERCOT may accept one or more proposals from QSEs.” Can a QSE be awarded more than 1 offer as long as there are no duplications of capacity sources?
Answer 12	Yes.
Question 9	Section 2.2.4 of the RFP states “each such category designation may be offered at a different price with a different MW amount.” Can each capacity source be priced differently under each category (Option A & B)?
Answer 9	Yes. An example is that DR Capacity Source “X” can provide up to 15 MW of Demand response. The Respondent can provide an offer for that 15 MW DR Capacity Source X for category A at price “a” and also offer that same Capacity Source X to provide 10 MW of Demand response for category B at a price “b”.
Question 29	Will ERCOT work with TCEQ on Enforcement Discretion related to localized transmission emergencies?
Answer 29	The existing TCEQ enforcement discretion policy contemplates that enforcement discretion may be provided in the case of Emergency Conditions associated with “local reliability issues.” ERCOT will request enforcement discretion when it believes such discretion may be necessary.
Question 47	In section 3.6.2.2 the document mentions a project development plan and schedule. Does this mean that proposals including assets that are not already installed can be submitted? For example, could an entity plan to install battery storage at a number of residential homes and bid that into this RFP.
Answer 47	Yes. Note the capacity source must be operational no later than August 1, 2024.

Key Responses to Questions Received (Continued)

Question 46	In section 2.2.4: Does the capacity source bid into this RFP need to deliver the proposed capacity (MW) continuously throughout the event duration? If so, how long will the anticipated events last in duration?
Answer 46	See the Governing Document section 2.1 paragraph 3. When deployed, a Capacity Source must curtail its consumption by an amount greater than or equal to its awarded capacity by the end of the Ramp Period. A Capacity Source must continue that level of curtailment until the earliest of the ERCOT recall instruction or the end of the Hours of Obligation on the day of deployment. The Sustained Response Period shall be no longer than 4 hours. Following a recall instruction or a recall based on the end of a Capacity Source's Hours of Obligation, the Capacity Source must return to service prior to the beginning of the Hours of Obligation on the following day.
Question 10	Will ERCOT apply the highest accepted offering to all procured resources or will each source receive unique prices based on offering?
Answer 10	Each Capacity Source awarded will be paid its offered standby price subject to adjustments due to availability and performance.
Question 53	Given that the Demand Response Capacity Source is intended to ease transmission congestion, does ERCOT anticipate that the Demand Response Capacity Source will be deployed before the onset of a Coincident Peak event?
Answer 53	ERCOT expects that the awarded capacity will be available and subject to deployment at any time during 3:00-9:00 PM CPT. Therefore, a deployment by ERCOT could occur before, during, or after a 4-CP interval.
Question 54	If not, will the capacity source need to remain available for deployment, thereby impacting participation in TDSP 4CP avoidance incentives?
Answer 54	<p>A site that is in a Capacity Source may modify its consumption, including in response to price. However, reductions in Load during the time period between 3:00-9:00 PM during the Contract Period will be reflected in the calculation of the Capacity Source's availability factor used in the monthly Combined Reduction Factor. These calculations may affect the standby payments to the QSE.</p> <p>Based on feedback from QSEs and internal review, ERCOT intends to modify the Governing Document by specifying a Combined Reduction Factor based on the calculated availability and performance values. The amended Governing Document will be posted by Wednesday, May 29.</p>

Additional questions?