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| NPRR Number | [1224](https://www.ercot.com/mktrules/issues/NPRR1224) | NPRR Title | ECRS Manual Deployment Triggers |
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| Date | June 10, 2024 |
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| Submitter’s Information |
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| Market Segment | Residential Consumer, Small Commercial Consumer, Large Commercial Consumer, Industrial Consumer |

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| Comments |

Joint Consumers appreciate ERCOT’s efforts in developing Nodal Protocol Revision Request (NPRR) 1224, an add on to ERCOT Contingency Reserve Service (ECRS) operations that may reduce price excursions and reduce costs to consumers. The Joint Consumers respectfully submit these comments to ask the ERCOT Board (Board) to reevaluate the Technical Advisory Committee (TAC) recommendation on NPRR1224. Specifically, the Joint Consumers ask the Board to consider a lower offer price floor than the $750/MWh recommended by the TAC.

As the Board is aware, there have been concerns from the Independent Market Monitor (IMM) as well as policymakers and the media regarding the energy price impacts of ECRS last summer. Specifically, ERCOT’s procurement and deployment practices for ECRS last summer resulted in relatively efficient generating units being withheld from the energy market, which substantially inflated Real-Time energy prices. At its final meeting in 2023, the Board accepted the recommendation from consumers at the Technical Advisory Committee that ERCOT staff revisit its ECRS policies prior to the 2024 summer season. ERCOT subsequently filed NPRR1224 to mitigate the impacts of ECRS going into the summer of 2024. Notably, in the filed NPRR, ERCOT proposed a methodology to make the ECRS Resources available to provide energy early (i.e., they would no longer be withheld) through changes in manual deployment triggers. This alleviates to some extent—but does not eliminate—the “artificial scarcity” outcomes witnessed last summer. ERCOT did ***not*** propose an offer floor for ECRS deployments in NPRR1224. Adding an offer floor counteracts the fundamental goal of the NPRR in reducing inefficient scarcity pricing resulting from ECRS manual deployments.

During the stakeholder process, Independent Generators filed comments inserting a price floor that effectively counteracts the financial benefit of NPRR1224, at least in part. This feature sets a minimum price when ECRS is released to Security-Constrained Economic Dispatch (SCED) for energy. The offer price floor approved by the Technical Advisory Committee was $750/MWh, which is reflected in the version of the NPRR before the Board for approval.

The Joint Consumers do not believe that a price floor is appropriate at all, since the manual deployment in NPRR1224 only partially mitigates—and does not eliminate—the “inflation” in energy pricing associated with ECRS withholding. In the TAC discussion on NPRR1224 and in subsequent comments to the Board, the IMM, an independent economist engaged by the Public Utility Commission of Texas (PUCT) with no financial interest in the outcome of this issue, has opposed a price floor as well because it perpetuates the artificial scarcity pricing seen last summer. In comments to the Board, the IMM proposed an offer price floor no greater than $100, which preserves the ranking of Non-Spinning Reserve (Non-Spin) and ECRS.[[1]](#footnote-1)

Consistent with the comments of the IMM, the Joint Consumers propose a middle ground. If a price floor is to be included, the ECRS quantities should be released ***after*** Non-Spin, but ***before*** any units committed through Reliability Unit Commitment (RUC), a process undertaken by ERCOT outside of the energy and Ancillary Services markets. The current Non-Spin floor of $75/MWh was meant to approximate the level where Non-Spin units would have self-deployed, had they not been procured for Non-Spin. The floor was designed to insulate the market from the adverse effects of these units receiving an Ancillary Services payment Day-Ahead, which could arguably support a below-market Real-Time energy offer. Similarly, the $250/MWh floor on RUC units was designed to place those units reasonably behind other market units, at a price level that approximates where the units would have self-committed.

The Joint Consumers believe that ECRS units are more valuable than Non-Spin, which is also reflected in deployment practices, so it is reasonable to set an ECRS offer floor that is higher than the Non-Spin floor as a compromise. However, the ECRS units should be available to the market ahead of “out-of-market” units that are deployed through RUC. Accordingly, the Joint Consumers propose a middle ground price floor of $100/MWh for ECRS.

The Independent Generators advocating for the $750/MWh price floor referenced the Ancillary Service Demand Curves (ASDCs) that will be implemented for Real-Time Co-optimization (RTC) as the basis for their proposal. The Joint Consumers note that when RTC+B is actually implemented, there will be offsetting efficiencies and savings for consumers to support the proposed demand curves that do not exist today. As a result, reference to the RTC+B outcomes is not an appropriate benchmark for setting any price floors in the current market.

Since the beginning of organized energy markets in ERCOT, now well over two decades ago, consumers have stood for efficient market outcomes. Efficient markets achieve reliability targets at lowest cost, which directly benefits all consumers in ERCOT. Joint Consumers appreciate the Board’s attention to this issue and will have a representative available at the Board meeting to provide comments and to answer any questions.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None

1. NPRR 1224 ECRS Manual Deployment Triggers, comments of Jeff McDonald, June 4, 2024. [↑](#footnote-ref-1)