

Workshop: Requests for Proposals for Must-Run Alternatives (MRA)



ERCOT

August 15, 2024

ERCOT Public

Overview

- ERCOT is seeking to procure one or more Must-Run Alternative (MRA) Resources that would provide a more cost-effective alternative than the provision of Reliability Must-Run (RMR) service by one or more of CPS Energy's Braunig Resources* during April 1, 2025 through March 31, 2027. Qualified Scheduling Entities (QSEs) may propose providing MRA service during any and all of the seasons in this time frame.
- This MRA Request for Proposal (RFP) was prompted by CPS Energy providing notices (NSOs) that it intends to indefinitely suspend the Braunig Resources on March 31, 2025.
- ERCOT is engaging in the RMR and MRA processes under the Public Utility Commission of Texas (PUC) rule 16 Tex. Admin. Code § 25.502 and the ERCOT Protocols because the Braunig Resources are needed to support ERCOT System reliability.

* The Braunig Resources and their summer Seasonal Net Max Sustainable ratings are:

BRAUNIG_VHB1	217 MW
BRAUNIG_VHB2	230 MW
BRAUNIG_VHB3	412 MW

Overview (Continued)

- ERCOT's authority to seek MRA service is derived from PUC rule 16 Tex. Admin. Code § 25.502(e) and ERCOT Protocols § 3.14.1.2(6).
- ERCOT is following an open, RFP process.
- Proposals shall be submitted by QSEs.
- An MRA may be any of the following:
 - Generation Resource
 - Energy Storage Resource
 - Other Generation (including Settlement Only Generators and Distributed Generation)
 - Demand Response.
- The ERCOT Board of Directors decides whether to enter into any RMR or MRA agreements. ERCOT Staff must recommend to the Board whether to enter into such agreements based on potential costs and risks. ERCOT expects to make recommendations to the Board and its Reliability & Markets Committee during their October 2024 meetings.

Summary of ERCOT's Analysis

- ERCOT performed congestion analysis utilizing UPLAN to perform an 8760 evaluation for 2025 to determine the hours in which overloads were observed on a key transmission line related to an IROL.
- ERCOT determined the dynamic line ratings (Normal & Emergency) based on the historical peak 2023 temperatures.
- ERCOT's evaluation determined the following need for all three Braunig units (859 MW) for each season: More details on the following slide

Season	Months	Hours Needed Hour Ending (HE)	Anticipated Single Day Duration	Anticipated Deployment
Winter Peak	January, February, & December	14 - 18	4	5
Spring Peak	March, April, & May	14 - 19	6	30
Summer Peak	June, July, August, & September	14 – 21	8	80
Fall Peak	October & November	14 - 19	5	15

- ERCOT had conducted various steady-state evaluations utilizing PowerWorld Simulator for Security Constrained Optimal Power Flow (SCOPF) and steady-state contingency analysis which confirm the overall ERCOT System need.

Key Details – Revised from Initial RFP package posted on July 25, 2024

Season	Start Date	Stop Date	Number of Days Contracted	First Contracted Hour Ending (HE)	Last Contracted Hour Ending (HE)	Number of Hours Per Day the MRA Shall Be Available	Number of Hours Per Season the MRA Shall Be Available	DR and ESR Duration Requirements	Maximum Number of Deployments for DR
One or more seasons Can be offered	Fixed	Fixed	Computed	Fixed	Fixed	Computed	Computed	Fixed	Fixed
Season A: (Spring 25)	4/1/2025	5/31/2025	61	14	19	6	366	6	30
Season B: Summer 25)	6/1/2025	9/30/2025	122	14	21	8	976	8	80
Season C: (Fall 25)	10/1/2025	11/30/2025	61	14	19	6	366	5	15
Season D: (Winter 25-26)	12/1/2025	2/28/2026	90	14	18	5	450	4	5
Season E: (Spring 26)	3/1/2026	5/31/2026	92	14	19	6	552	6	30
Season F: (Summer 26)	6/1/2026	9/30/2026	122	14	21	8	976	8	80
Season G: (Fall 26)	10/1/2026	11/30/2026	61	14	19	6	366	5	15
Season H: (Winter 26-27)	12/1/2026	2/28/2027	90	14	18	5	450	4	5
Season I: (Spring 27)	3/1/2027	3/31/2027	31	14	19	6	186	6	30

* This updated information will be reflected in the amended RFP package that will be posted by August 21, 2024.

Procurement Timeline

Procurement Timeline ¹	
CPS NSO Part III and Budget Due and MRA RFP Release Date	Thursday, July 25, 2024
CPS and ERCOT RMR Negotiation Begins	Friday, July 26, 2024
Questions on MRA RFP Due by QSEs	Monday, Aug. 5, 2024 (3:00 PM CPT)
Questions Answered by ERCOT	Monday, Aug. 12, 2024
ERCOT Workshop on the MRA RFP	Thursday, Aug. 15, 2024 (afternoon)
ERCOT Notice of Amendments to MRA RFP and Other Related Documents	Wednesday, Aug. 21, 2024
Optional Statements of Intent Due	Friday, Aug. 30, 2024
QSE MRA Proposals Due	Monday, Sep. 9, 2024 (3:00 PM CPT)
QSE Presentations and Answers (if requested by ERCOT)	Tuesday, Sep. 10 through Monday, Sep. 23, 2024
MRA Contract(s) Negotiation	Tuesday, Sep. 10 through Tuesday, Sep. 24, 2024
QSE Deadline to Withdraw a Proposal	Tuesday, October 1, 2024
Consideration and Possible Action at ERCOT Board Reliability & Markets (R&M) Committee Meeting	Wednesday, Oct. 9, 2024
Consideration and Possible Action at ERCOT Board Meeting	Thursday, Oct. 10, 2024
Contract execution	As soon as feasible after Board approval
Market Notice	Within 24 hours of signing agreement

¹ Business Day deadlines are at 5:00 PM CPT, unless otherwise noted in the RFP

Key Details – MRA Payments

- If ERCOT procures MRA service, there will be four (4) types of Settlements

1. Hourly Standby Payment (For Contracted Hours)

- Payment will be based on the contracted capacity and awarded price.
- GRs and ESRs adjusted for availability and capacity metrics.
- DRs and Other Generation adjusted for availability and performance metrics.

2. Deployment Event Payment

- Payment will be based on the maximum of the awarded event deployment price or the calculated proxy fuel cost¹.
- GRs and ESRs adjusted for compliance with instruction.
- DRs and Other Generation adjusted for performance metrics.

¹ Proxy fuel costs for ESRs is zero

Key Details – MRA Payments (Cont.)

3. Variable Payment for Deployment (For Contracted Hours)

- Variable Payment is based on the maximum of the awarded variable price or the calculated proxy fuel cost¹.
- For GR, ESR and Other Generation, the variable payment will be adjusted by the following:
 - With deployment instruction: Reduced by Real-Time Revenues
 - Without deployment instruction: $\text{Min}[\text{Variable Payment, RT Revenues}] - \text{RT Revenues}$.
- For DR, the variable payment will be zero if Resource did not receive a deployment instruction.

4. Contributed Capital Expenditures Payment (for each month)

- If applicable, will be paid separately from Standby payment and subject to claw back.

¹ ESRs proxy fuel costs based on cost to recharge (\$/MWh)

Key Details - Settlement

- ERCOT will settle with the QSE representing the MRA Resource(s).
- 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 2025 would likely be in early November 2025).
- Allocation will be based on the Hourly Load Ratio Share after 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.

Note: ERCOT will utilize existing systems as much as possible to perform Settlements

Key Details - Additional information

- If an offered MRA site is in a NOIE service area, the QSE and ERCOT will request that the NOIE TDSP 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 January 1, 2024, the required data should begin on the site's energization date. ERCOT receipt of this data is needed to evaluate an MRA proposal and establish baselines; therefore it is a prerequisite to entering into an agreement to provide MRA service.
 - Submission of the data by the NOIE to ERCOT is required within 35 days following each calendar month end throughout the duration of the MRA contract period.
 - Detailed information on the data request and timing will be in the amended Governing Document.
- ERCOT intends to make amendments to the RFP package that was initially posted in late July. The amended documents will be posted by Wednesday, August 21, 2024.
 - The revised documents will specify that the “Ramp Period” for DR MRAs and Other Generation MRAs shall be 30 minutes.

Responses to Key Questions Received

Question 1	What eligibility requirements will apply to DR resources?
Answer 1	Eligibility requirements that apply to Demand Response (DR) resources are provided in Sections 1 and 4 of the Governing Document.
Question 2	Can price responsive DR resources participate?
Answer 2	Yes. Price-responsive DR Must-Run Alternatives (MRAs) may participate. However, reductions in Load during the contracted time periods will be reflected in the calculation of a DR MRA's availability. These calculations may affect the standby, event, and variable payments to the QSE.
Question 3	Can aggregations of customers participate as a DR resource?
Answer 3	Yes. Please refer to Section 2.3.1 of the Request for Proposal (RFP) that states in part, "Each MRA Resource must provide at least 5 MW of capacity; assets may be aggregated to create an MRA Resource."
Question 4	Can ERS or LR customers participate as a DR resource?
Answer 4	A customer who has provided ERS or another DR service may participate as a DR MRA. However, if a customer is contracted to provide MRA service, it may not commit to provide ERS during any time periods that overlap with any hours for which the associated site has an MRA obligation. Please see Public Utility Commission of Texas rule 16 Tex. Admin. Code § 25.507(d)(4). Additionally, a DR MRA that is a Load Resources may not offer to provide AS during any hours for which the associated site has an MRA obligation.

Responses to Key Questions Received

Question 5

I had a question on these numbers (below). Is this based on a set number of hours per year like the hours in the MRA RFP or something? What is the expected total cost of RMRing the units?

CPS Energy's NSO Part III submissions indicate that the standby cost for the Braunig Resources are as follows:

- BRAUNIG_VHB1: \$3,330 per hour for one year, \$2,263 per hour for two years;
- BRAUNIG_VHB2: \$3,222 per hour for one year, \$2,203 per hour for two years; and
- BRAUNIG_VHB3: \$4,171 per hour for one year, \$2,904 per hour for two years.

This standby cost must be based on CPS Energy's initial estimated budget.

Answer 5

Yes, this is based on the total number of hours per year during the contract period.

Based on the information provided in the initial estimated budget and NSO Part III submitted by CPS Energy, and assuming the units were contracted to provide Reliability Must-Run (RMR) service for two years,

- BRAUNIG VHB1 estimated standby cost is \$39,647,760;
- BRAUNIG VHB2 estimated standby cost is \$38,596,560;
- BRAUNIG VHB3 estimated standby cost is \$50,878,080.

Totaling an estimated standby cost of \$129,122,400.

ERCOT has informed CPS Energy that they must provide a revised NSO Part III to reflect more accurate costs as estimated Eligible Costs are revised. ERCOT will post any updated NSO Parts III after they are received.

Additional questions?