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| NPRR Number | [1235](https://www.ercot.com/mktrules/issues/NPRR1235) | NPRR Title | ****Dispatchable Reliability Reserve Service as a Stand-Alone Ancillary Service**** |
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| Date | | December 20, 2024 | |
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| Submitter’s Information | | | |
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| Market Segment | | Not applicable | |

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| Comments |

The IMM has reviewed the Dispatchable Reliability Reserve Service (DRRS) options presented by ERCOT and has the following comments on these options, which supplement the comments we filed previously on the design of the DRRS product.

Neither of the options provide sufficient detail on the supply, demand, procurement and pricing of DRRS to allow the IMM to provide more detailed comments at this time.

Based on our assumptions regarding ERCOT’s proposed options, we believe it is unlikely that either option will produce efficient market outcomes and satisfy the objectives of the DRRS product we initially recommended to address operational uncertainty further out than is addressed by existing products. To perform properly as an operating reserve, DRRS should be co-optimized in the Day-Ahead Market (DAM) and Real-Time Market (RTM). The first concept in the proposal of procuring DRRS in a “Day-Ahead pass” that is run in advance of the DAM and the “release factor” proposed in the second option both raise serious concerns, particularly since neither concept includes co-optimization of DRRS in the RTM.

Co-optimization of DRRS in the RTM is important because it will allow the ERCOT market to price shortages of DRRS, which will provide an efficient new revenue stream for dispatchable Resources. This will allow it to contribute to Resource adequacy by increasing the incentive to invest in new dispatchable Resources.

However, we are very concerned about stakeholder comments proposing to use DRRS explicitly to achieve Resource adequacy, as well as ERCOT’s discussion of this issue. Resource adequacy is a planning horizon concept. It is impossible to satisfy planning horizon objectives, like the reliability criteria, using a product that is procured in the operating horizon. Therefore, we believe it is fundamentally misguided to seek a “design that is future-proofed for both use cases [i.e., Resource adequacy and operational uncertainty]”. Trying to satisfy these two disparate objectives with one DRRS product virtually ensures a product that will not efficiently achieve either objective resulting in costs that exceed the reliability benefit produced. Therefore, we urge ERCOT to focus efforts regarding DRRS exclusively on addressing operational uncertainty.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None