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| VCMRR Number | [044](https://www.ercot.com/mktrules/issues/VCMRR044) | VCMRR Title | RTC+B – Mitigated Offer Cap for Hydro Generation Resources |
| Date of Decision | July 30, 2025 |
| Action | Recommended Approval |
| Timeline | Normal |
| Estimated Impacts | Cost/Budgetary: None Project Duration: No project required  |
| Proposed Effective Date | Upon system implementation of PR447, Real-Time Co-Optimization (RTC) |
| Priority and Rank Assigned | Not applicable |
| Verifiable Cost Manual Sections Requiring Revision  | Appendix 10: Setting the Variables Used in the Mitigated Offer Cap for Hydro Generation Resources (new) |
| Related Documents Requiring Revision/Related Revision Requests | None |
| Revision Description | This Verifiable Cost Manual Revision Request (VCMRR) adds a procedure to Appendix 10 for setting the variables used in the Mitigated Offer Cap (MOC) for hydro Generation Resources: setting Variable O&M (VOM) to the Real-Time System-Wide Offer Cap (RTSWCAP) and the incremental heat rate value to zero. These settings ensure that the MOC for such Resources is at least equal to or greater than the RTSWCAP.  |
| 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 | Key Principle (KP) 1.3(3) as established by the Real-Time Co-optimization Task Force (RTCTF) and approved by the ERCOT Board, requires that On-Line hydro Generation Resources not operating in Synchronous Condenser Fast-Response mode will be able to maintain Responsive Reserve (RRS), Non-Spinning Reserve (Non-Spin), and ERCOT Contingency Reserve Service (ECRS) through modification of the MOC. In addition, combined comments submitted to KP1.3 further state that under Real-Time Co-optimization (RTC), On-Line hydro Generation Resources not operating in Synchronous Condenser Fast-Response mode must adhere to constraints imposed by governmental agencies or by treaty regarding the operations of those Resources.  These Resources often have the opportunity to provide incremental energy in response to an Ancillary Service deployment and are therefore good candidates to provide Ancillary Service(s), but cannot regularly exchange the Ancillary Service capacity for an incremental energy deployment.  Hence, the MOC for On-Line hydro Generation Resources shall be set equal to the submitted Energy Offer Curve. Given constraints on hydro Generation Resources as described above and that these Resources are not dispatched by Security-Constrained Economic Dispatch (SCED) when operating in Synchronous Condenser Fast-Response mode, ERCOT proposes setting the VOM to the RTSWCAP and the incremental heat rate value to zero to ensure that the MOC is at least equal to or greater than the RTSWCAP.  |
| WMS Decision | On 5/7/25, WMS voted unanimously to recommend approval of VCMRR044 as submitted. All Market Segments participated in the vote.On 6/4/25, WMS voted unanimously to endorse and forward to TAC the 5/7/25 WMS Report and 4/22/25 Impact Analysis for VCMRR044. All Market Segments participated in the vote. |
| Summary of WMS Discussion | On 5/7/25, ERCOT Staff provided an overview of VCMRR044.On 6/4/25, there was no discussion. |
| TAC Decision | On 7/30/25, TAC voted unanimously to recommend approval of VCMRR044 as recommended by WMS in the 6/4/25 WMS Report. All Market Segments participated in the vote. |
| Summary of TAC Discussion | On 7/30/25, there was no additional discussion beyond TAC review of the items below.  |
| TAC Review/Justification of Recommendation |  Revision Request ties to Reason for Revision as explained in Justification  Impact Analysis reviewed and impacts are justified as explained in Justification Opinions were reviewed and discussed Comments were reviewed and discussed (if applicable) Other: (explain) |

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| **Opinions** |
| **Credit Review** | Not applicable |
| **Independent Market Monitor Opinion** | IMM has no opinion on VCMRR044. |
| **ERCOT Opinion** | ERCOT supports approval of VCMRR044. |
| **ERCOT Market Impact Statement** | ERCOT Staff has reviewed VCMRR044 and believes the market impact for VCMRR044 maintains alignment between the Verifiable Cost Manual and the Protocols for RTC+B and ensures the MOC for hydro Generation Resources is greater than or equal to the RTSWCAP. |

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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 |

None

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| Proposed Verifiable Cost Manual Language Revision |

**Appendix 10: Setting the Variables Used in the Mitigated Offer Cap for Hydro Generation Resources**

**Description**

For hydro Generation Resources, the Variable Operation and Maintenance (VOM) cost used in the Mitigated Offer Cap (MOC) shall be set to the Real-Time System-Wide Offer Cap (RTSWCAP). In addition, for such Generation Resources, the incremental heat rate values used in the MOC shall be set equal to zero. Hence, for purposes of applying these values to the MOC, hydro Generation Resources will be treated as if they had approved Verifiable Costs for costs above their Low Sustained Limit (LSL).