



PUBLIC

Item 8.2: ERCOT Staff Response to IMM 2024 State of the Market Report

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Board of Directors Meeting

September 22-23, 2025

- **Purpose**
Provide ERCOT's response to the 2024 Independent Market Monitor State of the Markets report recommendations.
- **For Information Only**
No action is currently requested; for discussion only

Key Takeaways

- IMM has provided 5 new recommendations on market design.
- There are areas on which the ERCOT and IMM agree in principle, and others where we suggest further discussion is needed.
- Meaningful progress is being made on IMM recommendations from previous years.

The Independent Market Monitor (IMM) Released its State of the Market Report for 2024

- At the end of May, the IMM released its 2024 State of the Market Report
- At the June Board of Directors meeting, ERCOT provided its initial impressions of the content of the report, including areas of agreement and subjects where our opinion differed from that of the IMM.
- Over the course of the summer, ERCOT has further reviewed the report and formed opinions on the 5 new recommendations which the IMM proposed.
- Public Utility Commission of Texas (PUCT) Staff have released their responses to all current and outstanding State of the Market report recommendations.
- Today's presentation will present ERCOT's response to the 2024 recommendations as well as progress being made on existing recommendations.



IMM Made 5 New Recommendations in 2024 Report

Recommendation	ERCOT Position and Comments
Reform Shortage Pricing Mechanism and Ancillary Service (AS) Methodology to Reflect Reliability Risk	
a) Define AS Demand Curves (ASDCs) According to Marginal Reliability Value of Each Product	ERCOT agrees in principle that the shape of the ASDCs should be re-evaluated but further discussion is required. This has been identified as either a Medium or High priority item for ERCOT staff in 2026, pending further discussion on prioritization.
b) Adopt a Probabilistic / Stochastic Risk Methodology for the AS Plan	ERCOT agrees in principle, and as part of its 2026 Ancillary Services Methodology, is proposing to use a probabilistic approach to determine both ERCOT Contingency Reserve Service (ECRS) and Non-Spin quantities. We may differ on the specific means by which a methodology is adopted.



IMM Made 5 New Recommendations in 2024 Report

Recommendation	ERCOT Position and Comments
Set Duration Requirements for ERCOT Contingency Reserve Service (ECRS) and Non-Spinning Responsive Reserve (Non-Spin) to One Hour	This issue was discussed as part of NPRR1282, in which the duration requirement for ECRS was reduced to 1 hour, but ERCOT maintains the necessity of a 4-hour duration for Non-Spin. Further discussion on ancillary service durations is expected following the implementation of RTC+B and this is a High priority for ERCOT staff in 2026.
Implement Process to Mitigate Market Power at System and Zonal Levels	Recommendation warrants further discussion. There are concerns regarding the interaction of administrative offer curves and scarcity pricing at the system level. Also, it is uncertain whether zonal mitigation provides benefit above that done at the nodal level. Awaiting further IMM analysis and information.
Establish Real-Time Offer Requirements, Penalties, and Proxy Pricing	Recommendation warrants further discussion. Must-offer requirements may conflict with underlying principles of ERCOT's voluntary market. Awaiting further IMM analysis and information.



Progress Has Been Made on Some Existing Recommendations

Report Year	Recommendation	Updates on Progress since the Last Report
2023	Improve the Procurement and Deployment of ECRS	This issue will no longer be relevant upon the implementation of RTC+B in December with real-time co-optimization of ECRS.
2023	Align Firm Fuel Supply Service (FFSS) Pricing and Deployment Practices with Market Operations	We agree in principle on certain aspects of the proposal. This issue warrants further discussion on specific details as part of PUC rulemaking in Fall 2025.
2022	Implement a Multi-Interval Real-Time Market	We are releasing a white paper which further explores this concept through our Grid Transformation initiatives.
2021	Eliminate the “Small Fish” Rule	PUCT has opened Project 58379 to study this issue. We will participate as appropriate.
2021	Implement an Uncertainty Product	We are currently working to develop DRRS which is designed for operational uncertainty. An NPRR will be filed later this Fall.



Progress Has Been Made on Some Existing Recommendations

Report Year	Recommendation	Updates on Progress since the Last Report
2020	Reconfigure Load Zones to Reflect Prevailing Congestion Patterns	Action on this recommendation is awaiting further IMM action and analysis.
2020	Implement a Point-to-Point Obligation Bid Fee	We agree with the IMM regarding performance concerns for the DAM and CRR auction. We continue to discuss options with stakeholders.
2019	Price Ancillary Services Based on the Shadow Price of Procuring Each Service	This recommendation has not surfaced in recent prioritization discussions and no effort has been undertaken since the last report.
2015	Modify the allocation of transmission costs by transitioning away from the 4CP method.	Per legislative requirements in SB6, the PUCT has opened Project 58484. ERCOT will support the PUCT with independent analysis.

