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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 | | September 11, 2024 | |
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| Submitter’s Information | | | |
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| Market Segment | | Not applicable | |

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| Comments |

Potomac Economics has recommended an “uncertainty product” for the ERCOT market since 2021. Per our recommendation, such a product could start in two to four hours and would:

* Provide operating reserves that can be used to resolve reliability concerns arising from uncertain system conditions
* Be less costly than procuring excessive volumes of 30- minute reserves
* Reduce out-of-market actions and the substantial costs associated with them.

The standalone Dispatchable Reliability Reserve Service (DRRS) product proposed by NPRR1235 could sufficiently achieve each of these goals, and so we are supportive of the NPRR with the following qualifications:

* The current concept of procuring physical obligations to provide DRRS through DAM and then deploying DRRS through Reliability Unit Commitment (RUC) is likely an improvement compared to over-procuring Non-Spinning Reserve (Non-Spin) or relying on out-of-market RUCs, but a procurement process closer to Real-Time would improve market outcomes and better account for Real-Time system conditions. It may not be feasible to co-optimize DRRS with energy and other Ancillary Services in the Real-Time Market (RTM) because of the different time horizons associated with each product, but DRRS could hypothetically be procured in a separate process closer to Real-Time. This could allow for an efficient rearrangement of DRRS capacity and co-optimized energy / reserve services that reflect changes in conditions since the Day-Ahead Market (DAM) clearing.
* NPRR1235 currently includes a flat penalty price of $150/MWh for when DAM procures less than the full plan for DRRS. This is preferable to forcing DAM to procure the full volume of DRRS even under tight system conditions, but a sloped demand curve for DRRS would better reflect the marginal reliability value of procuring additional DRRs and will result in more efficient price formation (for reserves and electricity) in the DAM.
* The effectiveness and efficiency of DRRS implementation is highly dependent on the procurement volumes. While not addressed in this NPRR, it will be important to accurately calibrate the procurement of DRRS to the spot market need identified that motivated the product. DRRS is a spot market product intended to address a narrow need related to forecast uncertainty beyond what is covered by existing products. As such, we do not feel that extending the purpose of this product to cover resource adequacy issues associated with out years is appropriate.
* Also critical for effectiveness is the deployment criteria. As noted in other cases, a deployment criteria that is too conservative may result in artificial scarcity in the electricity and other reserve markets, adversely affect price formation, and result in unnecessary excess cost.
* DRRS implementation could have adverse effects on price formation in either direction. In addition to artificial scarcity, procuring and deploying DRRS outside of the Real-Time Co-optimization (RTC) framework could result in suppression of Real-Time prices. This NPRR anticipates this with applying the Reliability Deployment Price Adder. This aspect is crucial to avert price suppression in the RTM.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None