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| NPRR Number | [1318](https://www.ercot.com/mktrules/issues/NPRR1318) | NPRR Title | Specific Exclusion of the Incentive Factor to ERCOT Approved Outside Attorney Fees and Approved Emissions Costs |
| Date Posted | | December 23, 2025 | |
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| Requested Resolution | | Normal | |
| Nodal Protocol Sections Requiring Revision | | 3.14.1.17, Incentive Factor | |
| Related Documents Requiring Revision/Related Revision Requests | | None | |
| Revision Description | | This Nodal Protocol Revision Request (NPRR) excludes the Incentive Factor to ERCOT-approved costs related to additional emissions allowance purchases and ERCOT-approved outside attorney fees. | |
| 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 | | Section 3.14.1.10, Eligible Costs, lists examples of eligible Reliability Must-Run (RMR) cost categories for Resource Entities, which do not include legal fees. However, Resource Entities may incur additional costs to keep Generation Resources operational and available to ERCOT. For instance, if a Resource Entity needs to purchase emissions allowances given its expectation of shutting down, these costs could potentially be included in the budget with ERCOT's prior approval. Nonetheless, ERCOT proposes that the Incentive Factor should not apply to such ERCOT-approved emissions allowance purchases, in the same way that Incentive Factor does not apply to fuel costs, which is a commodity. Furthermore, Resource Entities can recover ERCOT-approved reasonable outside attorney fees incurred in the development of the budget and RMR Agreement support. The Incentive Factor should not apply to such ERCOT-approved outside attorney fees. | |

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| Market Segment | Not Applicable |

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| Proposed Protocol Language Revision |

3.14.1.17 Incentive Factor

(1) Subject to the reductions described in paragraphs (2) and (3) below, the Incentive Factor for RMR Agreements is equal to 10% of the actual Eligible Costs, excluding fuel costs and reservation and transportation costs associated with firm fuel supplies as described in paragraph (1)(a)(vi) of Section 3.14.1.10, Eligible Costs. The Incentive Factor for RMR Agreements is not applied to capital expenditures as described in Section 3.14.1, Reliability Must Run, or to capital expenditures reclassified as an expense in accordance with paragraph (3)(d) of Section 3.14.1.19, Charge for Contributed Capital Expenditures. Additionally, the Incentive Factor for RMR Agreements does not apply to ERCOT-approved costs related to additional emissions allowance purchases, nor to ERCOT-approved costs related to outside attorney fees. The Incentive Factor shall never be less than zero.

(2) The Incentive Factor shall be reduced if the RMR Unit fails to perform to the contracted capacity during a Capacity Test as described in the RMR Agreement. The reduction will be linear, with a 2% reduction in the Incentive Factor for every 1% of reduced Capacity.

(3) The Incentive Factor shall be reduced if the “Hourly Rolling Equivalent Availability Factor” of the RMR Unit is less than the Target Availability (i.e. the “Actual Availability”, as defined below, is less than the Target Availability).

(a) The reduction will be linear; with a 2% reduction in the Incentive Factor payment for every 1% of the Hourly Rolling Equivalent Availability Factor less than the Target Availability stated in the RMR Agreement. The RMR Unit’s Actual Availability shall be calculated on an hourly rolling six-month average basis.

(b) The calculation is made by dividing the total MW of available capacity per hour according to its final COP by the total MW of contracted capacity per hour for the previous 4380 hours.

(c) For purposes of this calculation, any hour within the previous 4380-hour period that precedes the start date of the RMR Agreement is treated as if 100% of the capacity of the unit was available for the hour.