



Item 10.1: Independent Market Monitor (IMM) Report

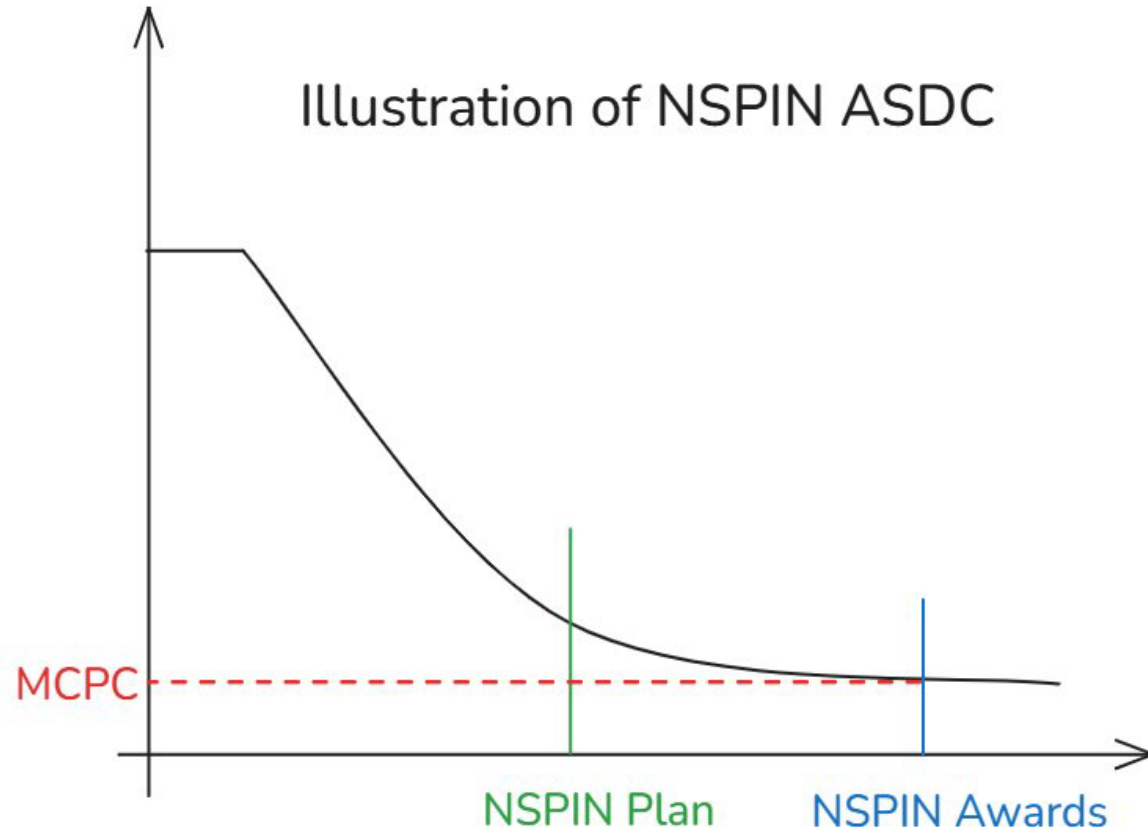
Jeff McDonald, Ph.D.
VP Potomac Economics and
ERCOT IMM Director

Board of Directors,
Reliability and Markets Committee

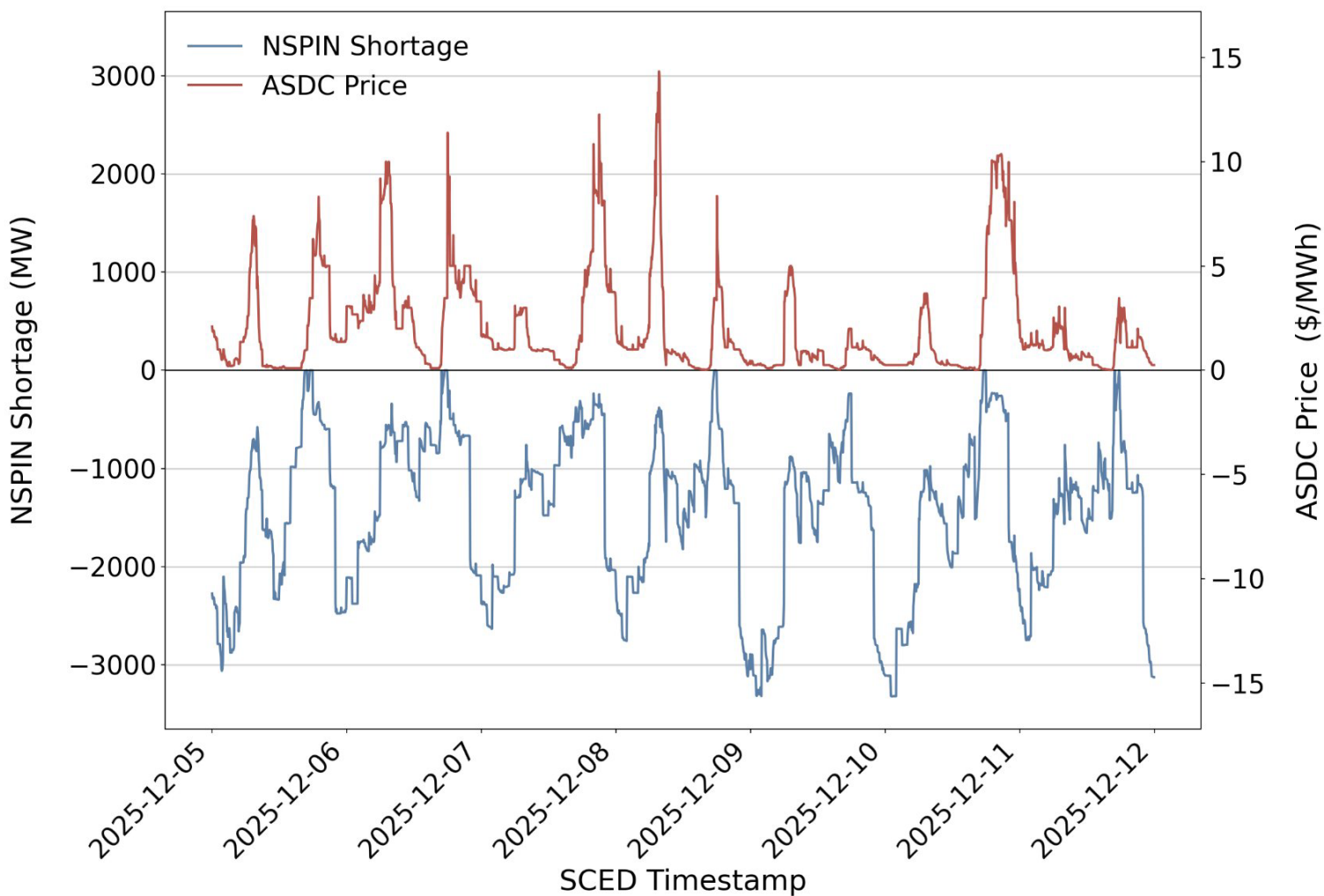
ERCOT Public
February 9-10, 2026

Non-Spinning Reserve Pricing in RTC

- The RTM clears surplus NSRS yet is producing a shortage price.
- Is frequently clearing at price $>$ other reserves.
- Difficult to estimate annual excess cost due to potential seasonal effects.
- Recommend stop ASDC at the AS Plan, then reformulate ASDC (including other improvements as well).



Shortage Prices in Non-Spin when System is Long



Notes on RA Through Markets

- There are three fundamental designs that are intended to support resource adequacy in wholesale electric markets:
 - Energy Only (TX), Capacity Market, and Load Obligation.
- Energy only and capacity markets are designed to price shortages, signal scarcity, and provide revenue for new generation.
- There has been a pattern of considering programs that price services outside the market (e.g. FFSS, ERS, RDR, Fwd Capacity Procurement).
- These programs suppress price which inhibits the market's ability to signal relative shortage and incent new investment.
- A market needs to experience and price shortages in order to provide the incentives for new investment.
- Focus should be on shortage pricing and new products in-market where needed to provide revenue signals for new investment.