



Item 10.2: Commercial Markets Update

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Vice President, Commercial Operations

Board of Directors Meeting

February 9-10, 2026

Purpose

Provide an update on key market design and credit initiatives and identify noteworthy market and credit outcomes since the last meeting.

For information only

No action is requested; for discussion only.

Key Takeaways

- Real-Time Co-optimization plus Batteries (RTC+B) is showing benefits since implementation in December
- RUC activity increased in 2025 but has reduced significantly since RTC+B implementation
- ERCOT continues to pursue a holistic approach to furthering demand-side participation in the market
- Settlement and Credit indicators are stable, while ERCOT works to evolve credit frameworks

Early observations from Real-Time Co-optimization plus Batteries (RTC+B) implementation show its benefits

Throughout December and January, we have been evaluating market outcomes to validate its performance against expectations of the efficiency gains of introducing real-time co-optimization.

Here are some key observations:

Energy and Ancillary Services are being co-optimized in real-time

- As system conditions change from day-ahead, Ancillary Services are being moved to resources to free up economic energy to cost-effectively meet demand
- Pricing of Ancillary Services reflect the supply mix and operating performance requirements appropriately

Real-Time Unit Commitment (RUC) has decreased sharply

- RUC can now trade-off economically between Energy and Ancillary Services
- RUC can better manage congestion by re-allocating both Energy and Ancillary Services without committing additional offline Resources.
- Qualified Scheduling Entities (QSEs) have improved the quality of their inputs to RUC

The Real-Time Co-optimization plus Batteries Task Force (RTCBTF) will meet over the coming months to establish a workplan for outstanding issues raised throughout the design and implementation of RTC+B. Those issues will be taken up in the traditional ERCOT stakeholder forums and the RTCBTF will be sunset with the approval of that workplan by TAC.

RTC+B Stabilization Activities

Resolving Protocol Violations

Price Corrections

- Two price correction investigations in December, one of which resulted in a price correction.

Software Issue affecting AS Trades

- A software issue in the Market Management System (MMS) affected the validation of AS trades. From December 5 to December 10, a subset of AS trades were not passed to downstream applications and to Settlements. The issue was fixed on December 10.

Optimization Parameter Tuning

- ERCOT observed that dispatch and pricing on some SCED intervals were not reaching the optimal solution. Working with our software vendor, we modified parameters within the optimization solver to improve accuracy while maintaining desired performance.

RUC activity increased overall in 2025, though it has declined noticeably since the introduction of RTC+B

RUC activity more than doubled in 2025 (~5,300 Resource-hours) when compared to 2024 (~2,000 Resource-hours) and 2023 (2,500 Resource-hours).

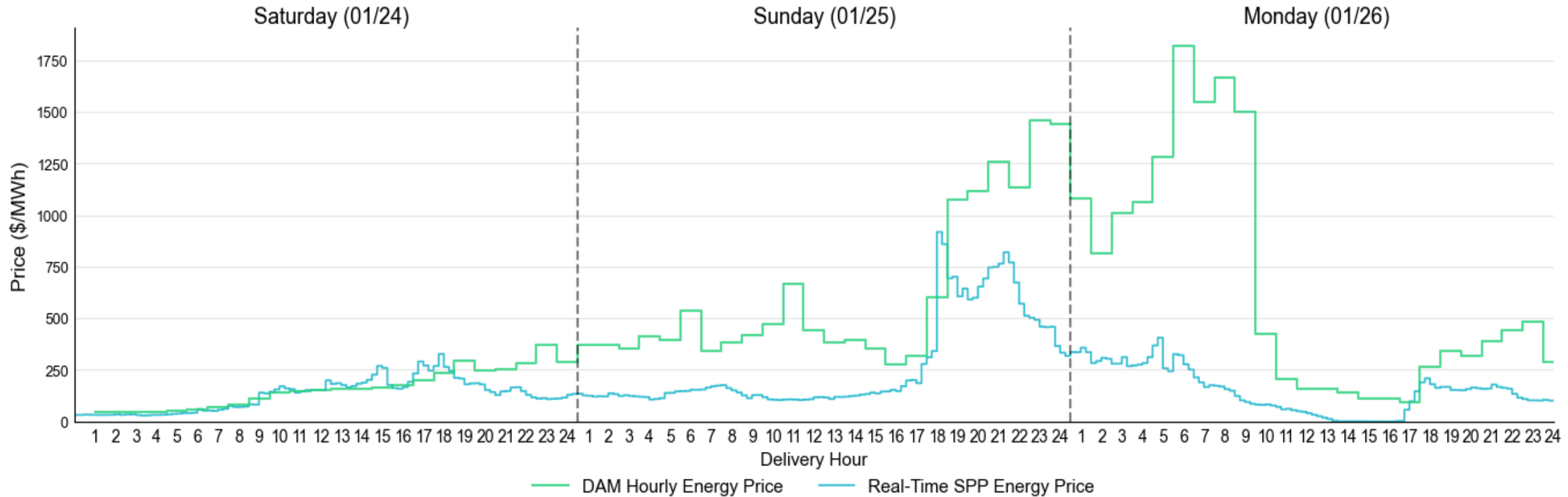
Commitments to alleviate congestion, rather than provide capacity, were the primary reasons for RUC in 2025, a change from prior years.

ERCOT has presented at the Congestion Management Working Group throughout 2025 to explain the increase in RUC activity. We are also examining ways to bring greater transparency around RUC commitments.

RUC activity declined significantly in December after RTC+B implementation. RUC activity was at its lowest level since September 2024 and 67% of all RUC instructed hours in December occurred before RTC+B implementation on December 5th.

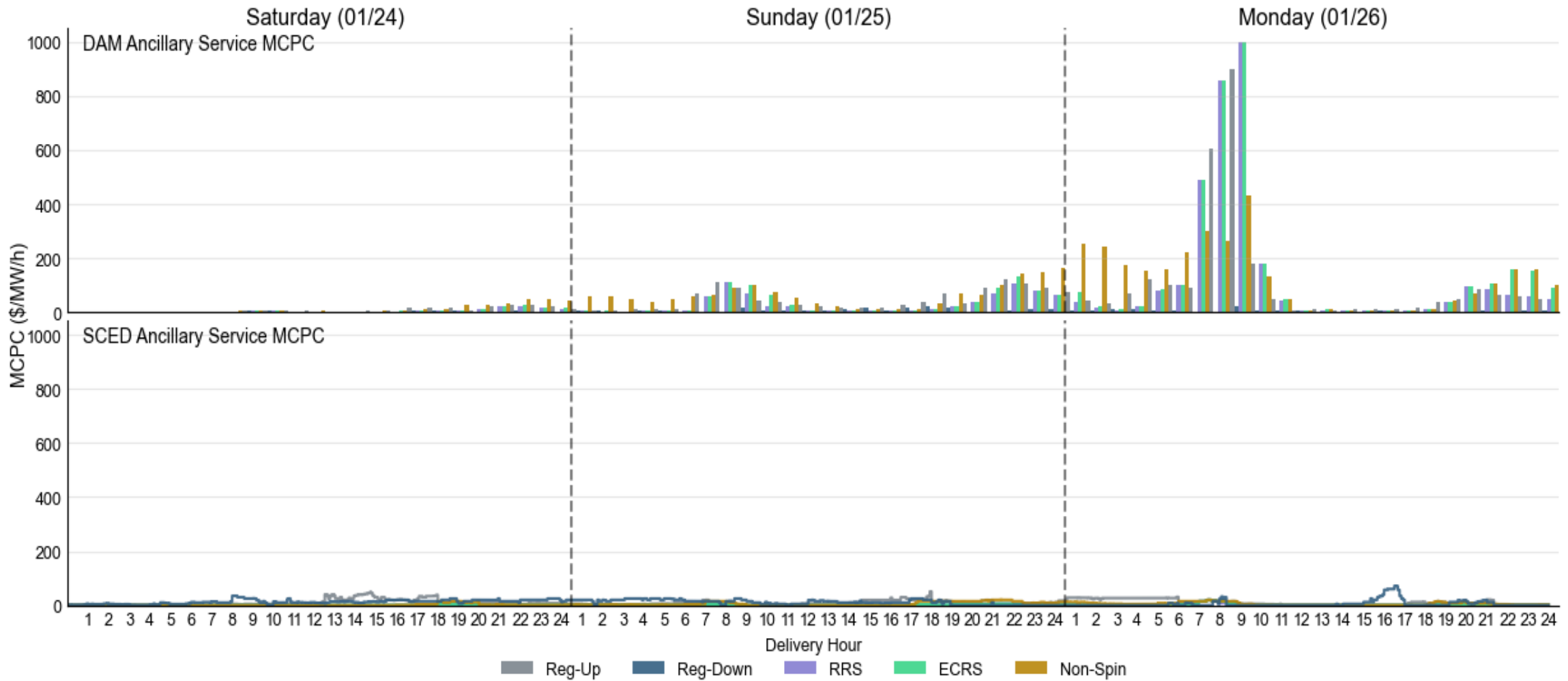
Key takeaway: RUC activity increased in 2025 relative to the previous two years. ERCOT and stakeholders have actively discussed the drivers behind this and ERCOT is enhancing its processes to bring greater transparency to RUC commitments.

Winter Storm Fern: Energy Pricing



Key Takeaway: Real-time energy prices generally followed the shape of the day-ahead energy price curve, though remained mostly lower throughout the winter weather event, reflecting real-time load and supply mix conditions.

Winter Storm Fern: Ancillary Service Pricing



Key Takeaway: Market Clearing Prices for Capacity (MCPCs) in Ancillary Services were lower in real-time, at times significantly, than day-ahead, particularly on Sunday and Monday.

ERCOT continues to advance efforts on demand response and is considering various initiatives holistically

Residential Demand Response

- NPRR1296 (Residential Demand Response Program) is active in the stakeholder process
- In advance of the February WMS meeting, ERCOT filed comments on NPRR1296 to amend the proposal and reflect stakeholder feedback
- ERCOT is committed to advancing residential DR and overcoming barriers to its participation in the market

Demand Response Discussion Paper

- ERCOT has engaged Charles River Associates to evaluate the suite of demand response programs in Texas
- Findings will identify overlaps between programs and opportunities to expand demand-side participation
- Findings from the engagement will be brought to the April Board meeting

Emergency Response Service (ERS)

- ERCOT has observed a change in the resource mix in ERS, showing significant crypto-currency participation in the service
- Active discussions in the stakeholder process are examining topics such as pre-event curtailment and alternative procurement approaches

Key Takeaway: There is great interest in seeing DR programs that work effectively both individually and holistically. Continuing stakeholder discussions will inform a comprehensive approach to developing demand-side resources.

Settlement and credit indicators are stable, while ERCOT advances enhancements to our means of assessing credit risk

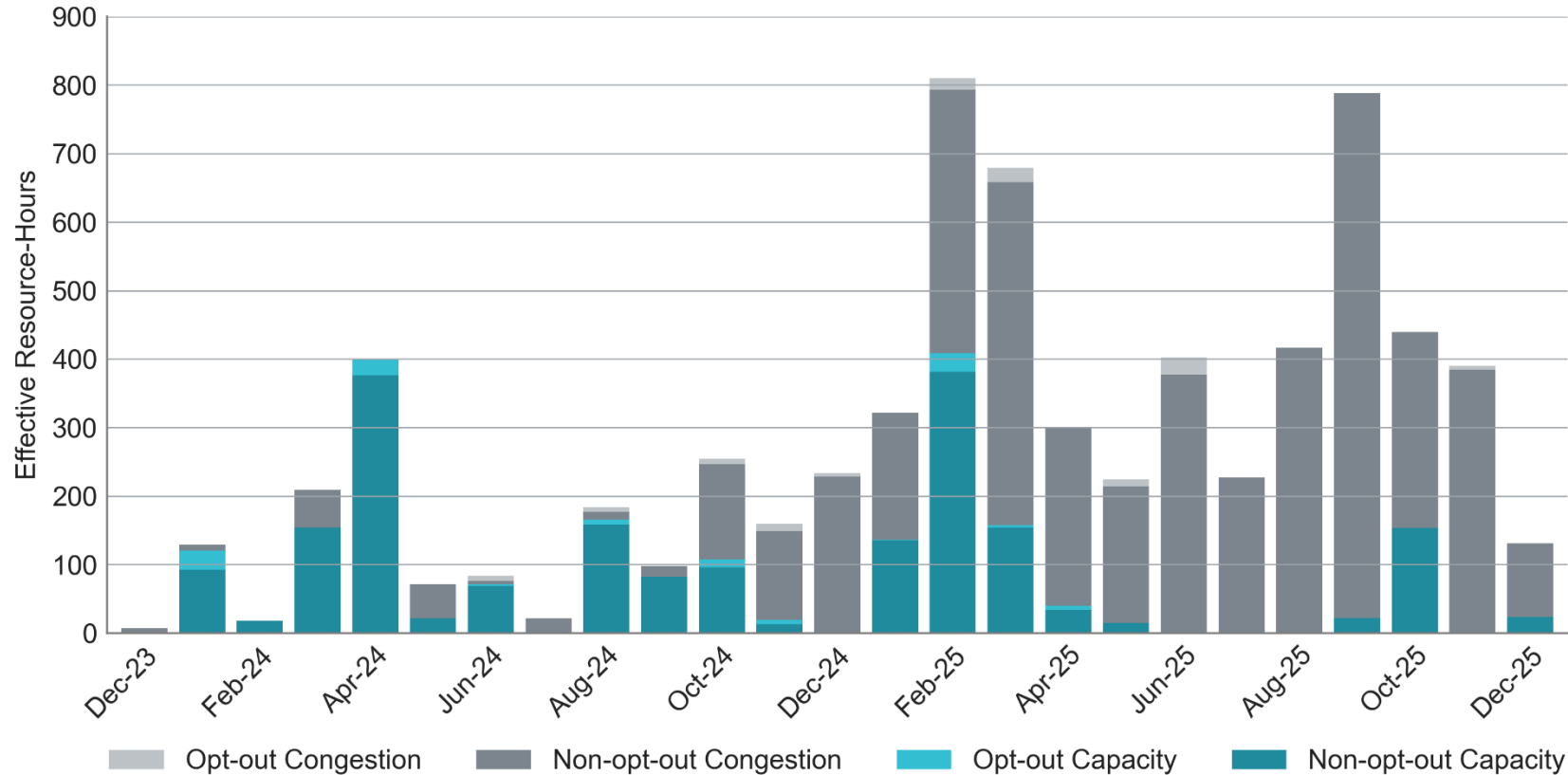
- No significant issues nor ERCOT Settlement/Credit related defaults up to the end of December. However, there was one default due to increased collateral requirements in advance of the January winter storm. This did not have reliability impacts or market losses.
- Market-wide average Total Potential Exposure (TPE) remained flat at \$1.6 billion in November and December. This is due to both real-time prices and forward adjustment factors having been mostly flat. This increased in advance of the January cold snap
- ERCOT credit staff continues to develop analysis defining and measuring market stress scenarios.
- ERCOT plans to implement NPRR1277 in late February 2026.
 - This NPRR addresses instances of high collateralization requirements and high volatility relative to underlying Counter-Party exposure that result from formula mechanics, and do not properly reflect anticipated exposure.

Key Takeaways:

- There was one default in advance of the January cold snap, but was stable beforehand.
- Total potential exposure had been mostly flat through 2025, but increased for the January winter storm.
- NPRR1277, Revisions to EAL formula, will be fully implemented late February 2026.
- ERCOT staff working to further develop a credit stress testing methodology.

Appendix

RUC Activity decreased significantly from November to December, particularly following the launch of Real-Time Co-optimization plus Batteries (RTC+B) program



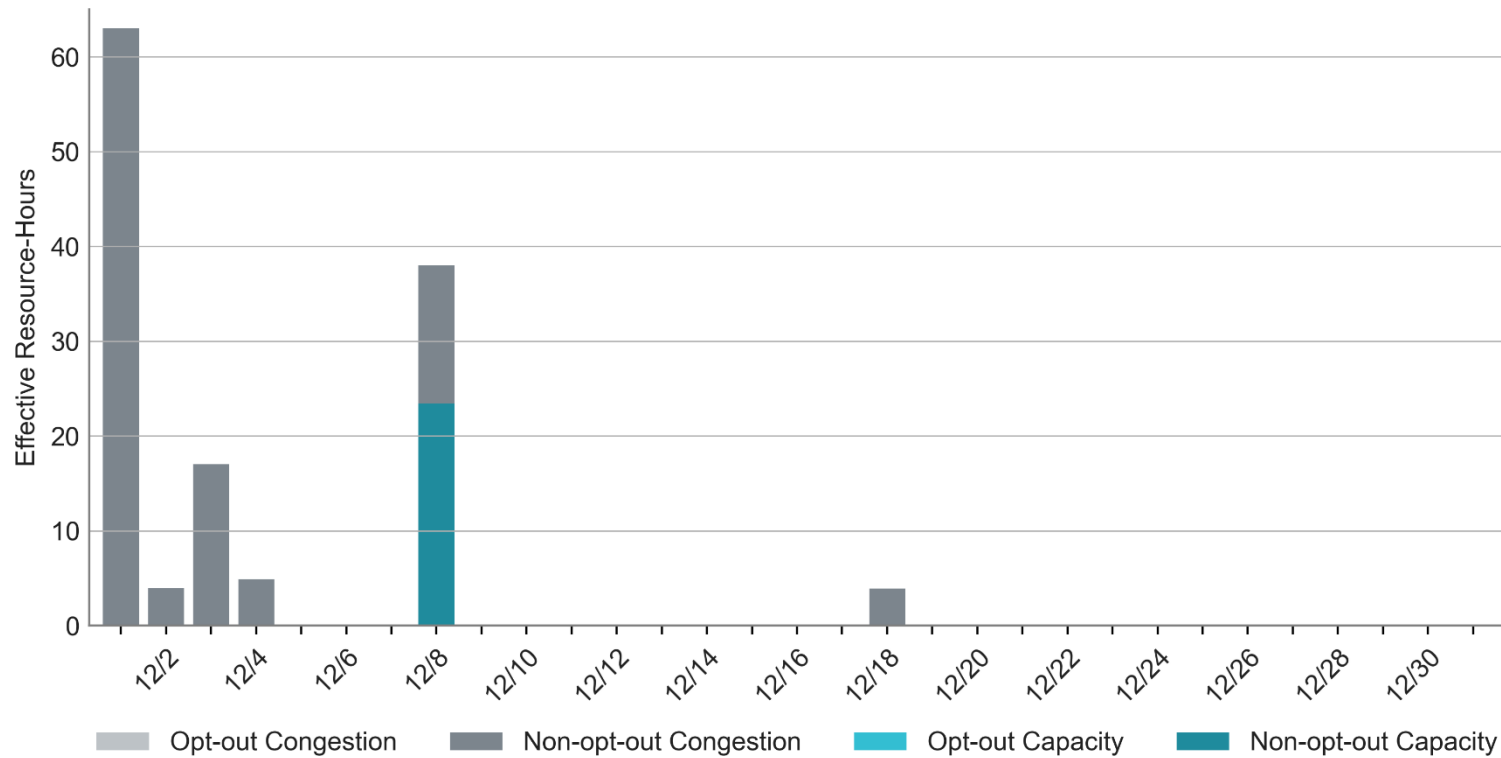
Notes:

1) "Effective Resource-Hours" excludes any period during a Reliability Unit Commitment hour when the RUC-committed Resource was starting up, shutting down, off-line, or otherwise not available for dispatch by SCED.

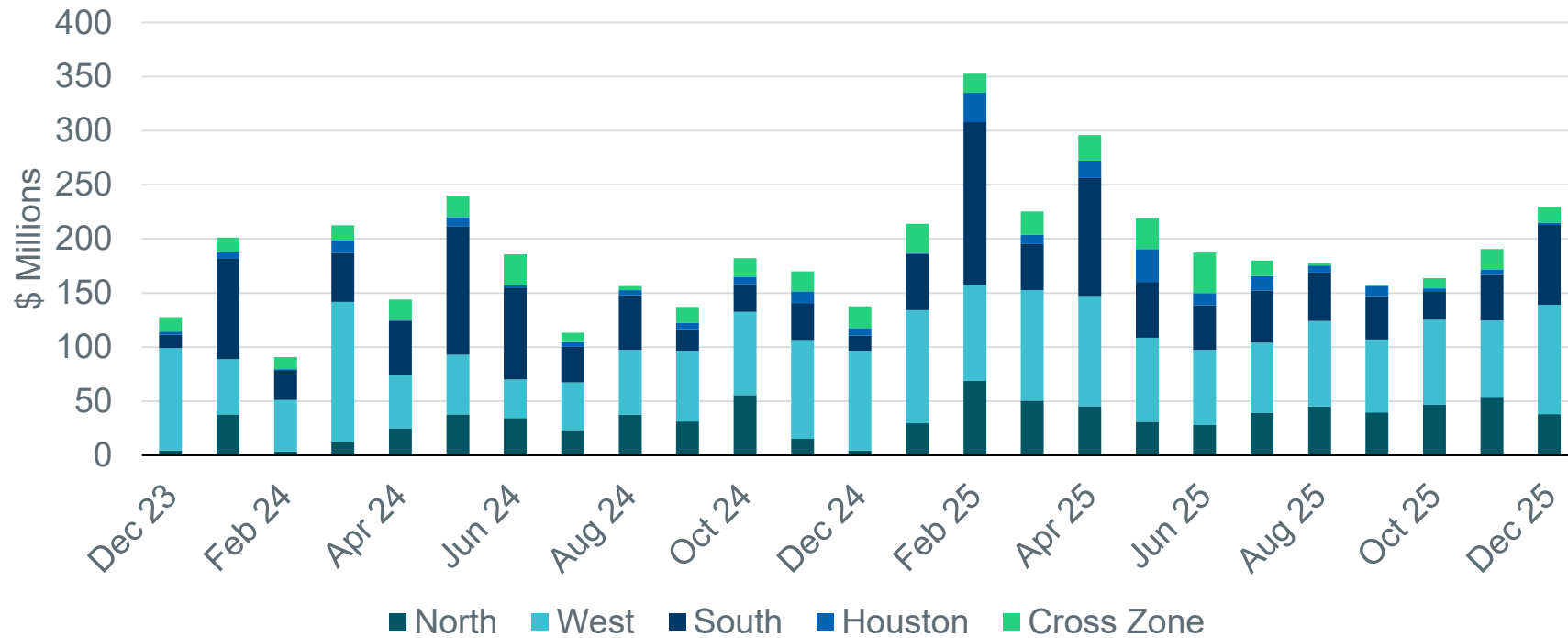
82% of RUCs in December were to alleviate congestion

RUC total effective Resource-hours were 129.9 in December, down 67% from November. This is also about 45% lower than the level seen in December 2024.

- 106.7 hours (82%) were to alleviate congestion.



Real-Time Congestion Rent increased in December to its highest level since April 2025

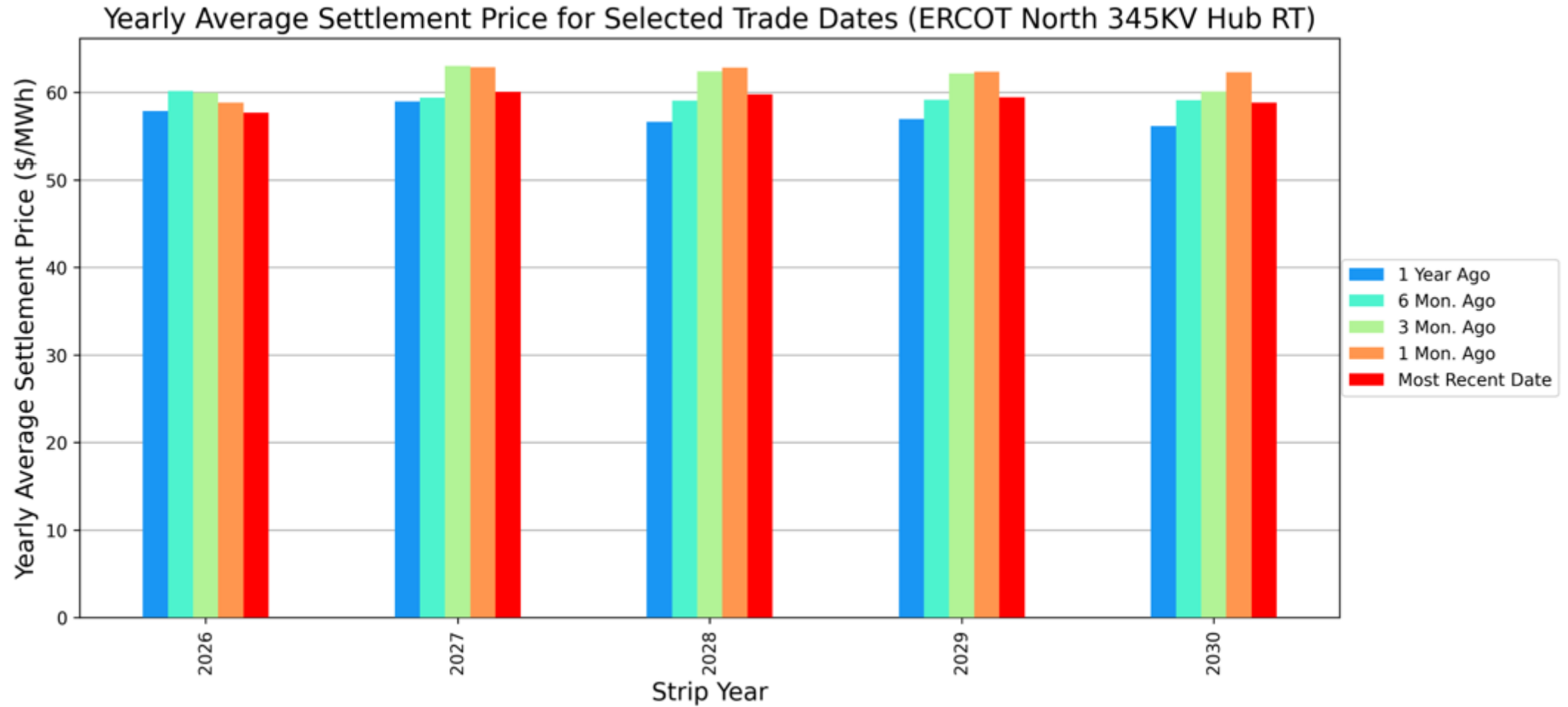


- Total Real-Time congestion rent increased in December compared to November, with the highest congestion rent in the West and South Zones.
 - Congestion rent in the West Zone was driven primarily by the constraint representing the loss of 345kV line from Blackwater Draw to Double Mountain overloading the 115kV transmission line from MacKenzie to Northeast Substation.
 - Congestion rent in the South Zone was driven primarily by the constraint representing the loss of the 345kV line from South Texas Project (STP) to Elm Creek

Notes:

- 1) Congestion rent is determined using the shadow prices and MW flows for individual constraints in SCED as well as the length in time of SCED intervals.
- 2) The "Cross Zone" category consists of cases in which the substations on either end of the constraint are in different zones.

Average annual forward prices have eased from their highs from last few months

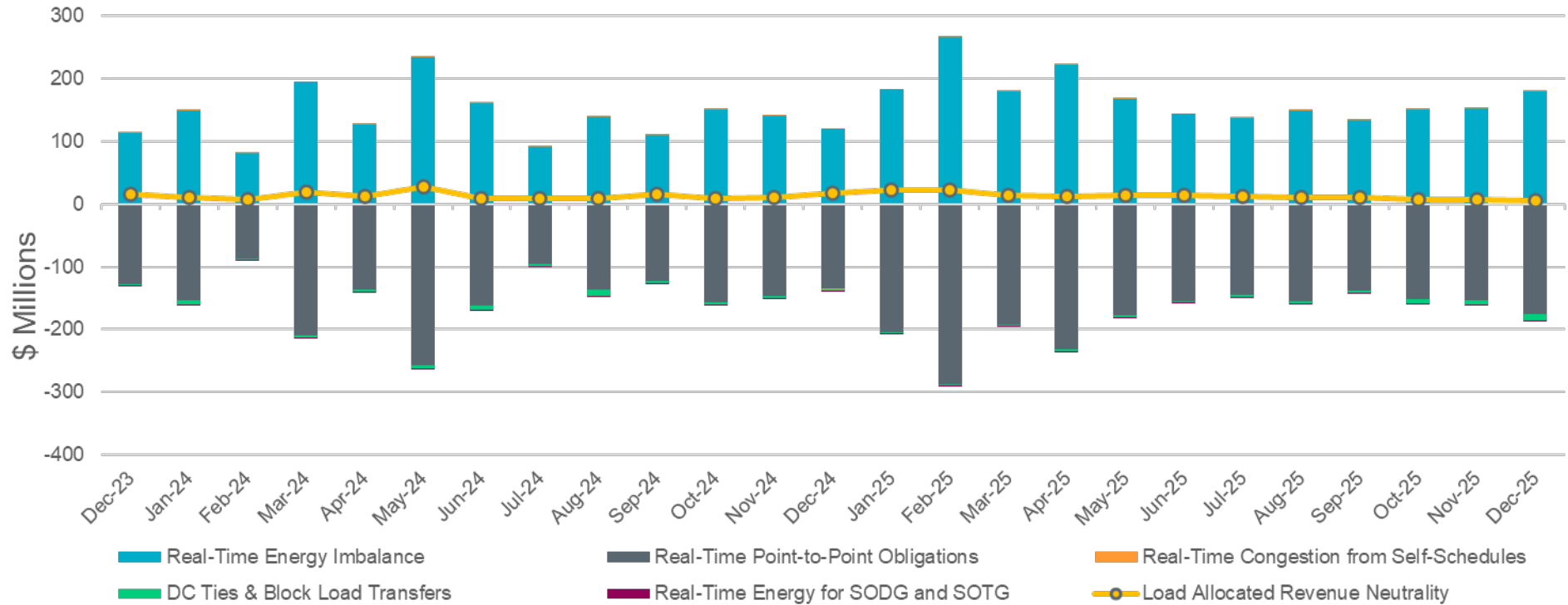


There were two price correction investigations in December, one of which resulted in a price correction

Two software issues were identified following the launch of the RTC+B program:

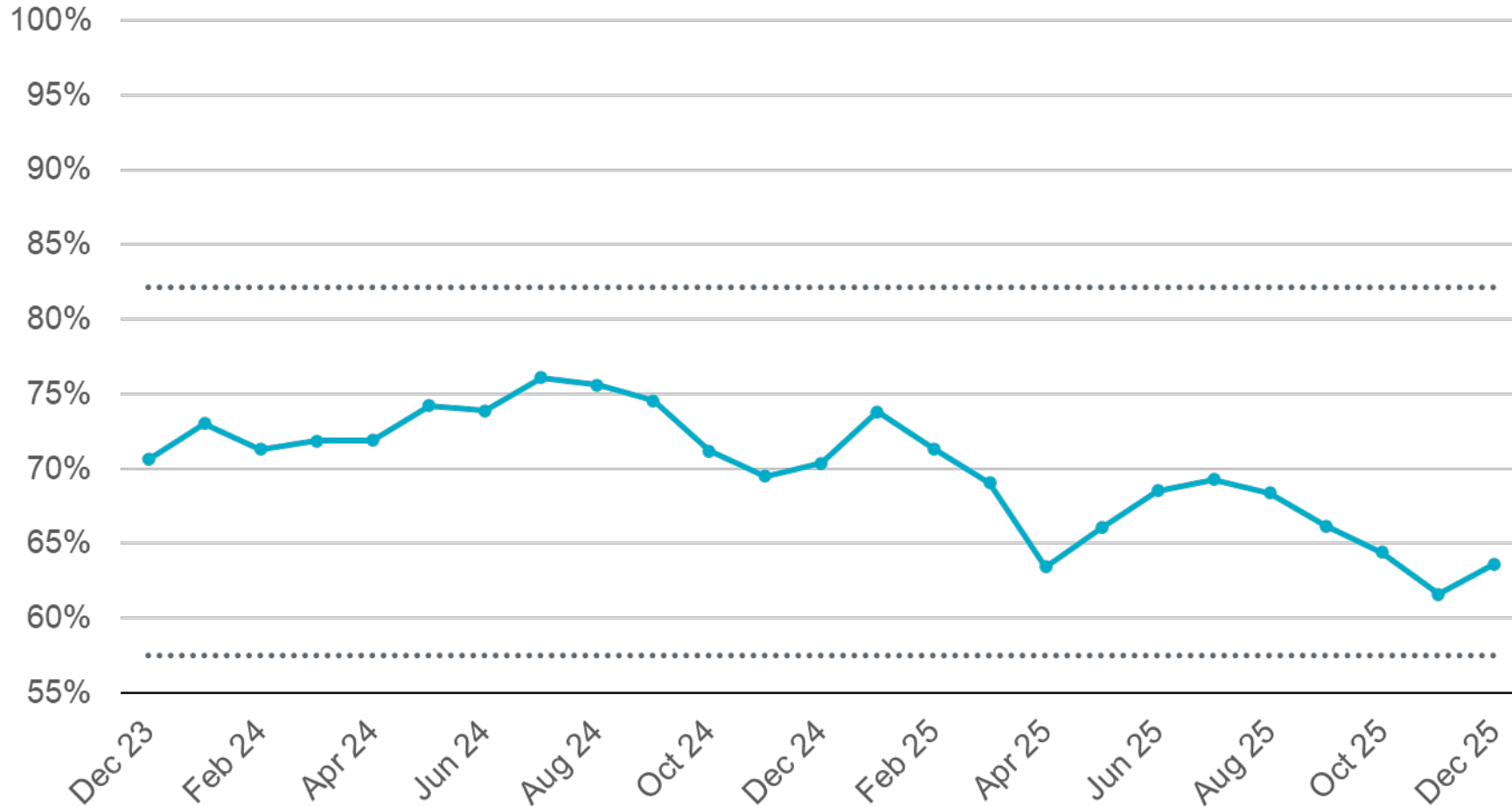
- On Operating Day December 6, 2025, a software issue in the Day-Ahead Market resulted in price impacts to Energy Storage Resources. The software issue was fixed before the next Operating Day. An impact analysis showed the event met the criteria for a price correction. Prices were corrected before prices became final on December 8, 2025, at 10:00 AM.
- ERCOT also found a software issue in the Real-Time Market. The problem stopped some Ancillary Service trades from being recorded for downstream use. The software issue was fixed around 10:00 AM on December 10, 2025. Because accurate prices couldn't be calculated, no price correction was made. See Market Notices [M-A121225-01](#) and [M-A121225-02](#).

Real-Time Revenue Neutrality Allocated to Load was within normal ranges at ~\$6M for December 2025



	December 2025 (\$M)
Real-Time Energy Imbalance	\$179.39
Real-Time Point-to-Point Obligation	(\$175.88)
Real-Time Congestion from Self-Schedules	\$0.43
DC Tie & Block Load Transfer	(\$9.20)
Real-Time Energy for SODG and SOTG	(\$0.63)
Load Allocated Revenue Neutrality	\$5.89

The percentage of Real-Time load transacted in the Day-Ahead Market increased slightly in December compared to November, reversing the trend since July



Note: The dotted lines represent the bounds for major outliers.

Peaker Net Margin was lower in 2025 than in the previous three years

