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Item 15.1.2.3: ERCOT Comments on NPRR1309

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Board of Directors Meeting

June 1-2, 2026

Purpose

Present the Board with the details of three NPRRs supporting Dispatchable Reliability Reserve Service (DRRS) and the next steps on each; outline areas of stakeholder discussion on NPRR1309.

ERCOT is seeking approval of NPRR1309 and NOGRR283, as recommended by TAC on April 29, 2026.

Voting Item

Current voting item: NPRR1309

NPRR 1310 and NPRR 13XX are for discussion purposes.

Key Takeaways

- Stakeholder consultation on NPRR1309 has concluded
- The core functionality of DRRS is in NPRR1309 and is complemented by two NPRRs which provide further optionality
- Stakeholder feedback focused on DRRS shortage pricing (demand curves and floor prices) and duration for both DRRS and Non-Spinning Reserve Service (Non-Spin)

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NPRR 1309 describes the core functionality for DRRS, complemented by two related NPRRs that provide further optionality

NPRR 1309 – Core Functionality

- **Satisfies all the statutory requirements** in PURA §39.159(d).
- Market mechanism to **manage market uncertainty** while mitigating the need for Reliability Unit Commitment (RUC).
- Describes core functionality of DRRS and ***does not include the Release Factor or ESR participation.***
- Complemented by NOGRR283 (duration requirements)

Status: Ready for Board vote

NPRR 1310 – Resource Adequacy

- Adds **optional feature** which needs explicit Public Utility Commission of Texas (PUCT) direction to be activated.
- **Release Factor:** Allows ERCOT to define a proportion of DRRS capacity **able to overlap with energy/other Ancillary Service awards** when larger quantities of DRRS are procured to **directly support resource adequacy** and incentivize new dispatchable capacity.

Status: Tabled – will be evaluated as part of the 2026 Reliability Assessment (Q4 2026 or Q1 2027)

NPRR 13XX – Energy Storage Resource (ESR) Participation

- At the 3/26/2026 Open Meeting, PUCT provided guidance to **consider ESR participation in a separate NPRR**.
- New Revision Request under development to allow ESR participation in DRRS.
- Participation limited to **4+ hour ESRs**.
- If approved in 2026, can be implemented along with NPRR 1309 in 2028.

Status: Introduced in Q2 2026

NPRR1309 Stakeholder Engagement Timeline

NPRR1309 Filed – November → Stakeholder Workshops – January to March → PRS – April 15 → Board Update – April 21 → TAC – April 29 → Today - Vote on NPRR1309

Three Key Areas of Stakeholder Feedback

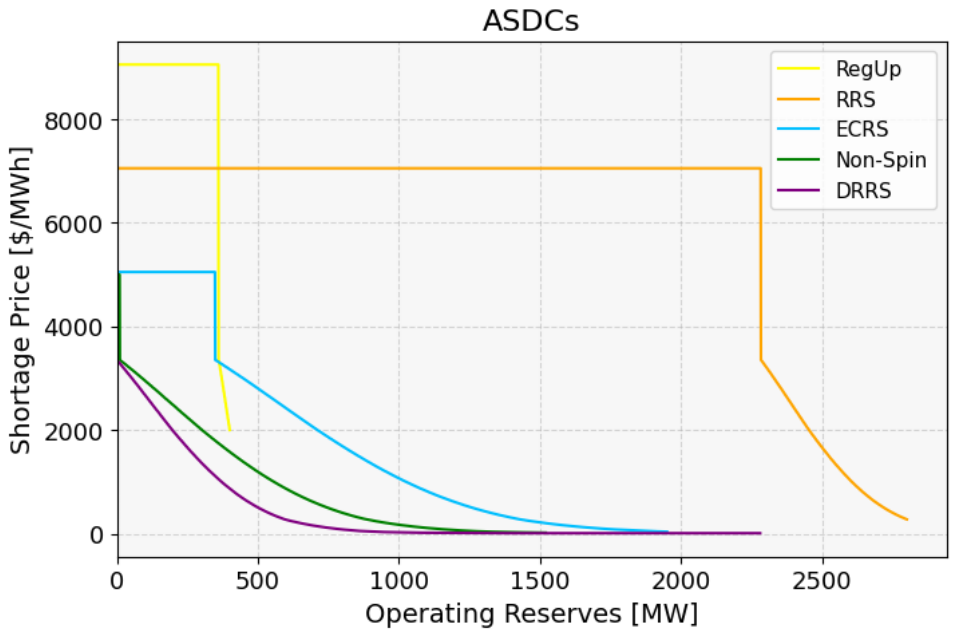
1. Demand curve design for Ancillary Service shortage conditions
2. Shortage floor pricing
3. Duration requirements for DRRS and Non-Spin

1. Demand curve design for Ancillary Service shortage conditions

Ancillary Service Demand Curve for DRRS

- The Joint ERCOT/IMM proposal replaced the original linear demand curve for DRRS with one derived from the existing Aggregate Operating Reserve Demand Curve (AORDC).
- Also defines minimum prices for each product's Ancillary Services Demand Curve (ASDC).
- These features taken together keep each product's relative (reliability) value intact when reserves are tight.

ERCOT / IMM joint proposal



2. Shortage floor pricing

Shortage floor price for DRRS

- When competitive offers are sufficient, they set the price – neither the ASDC shape nor the shortage floor price comes into play.
- The shortage floor price applies when offered quantities are insufficient to meet the Ancillary Services plan.

ERCOT Proposal

Add $10/MWh shortage floor price to DRRS

- NPRR1309 proposes a $10/MWh floor to reflect the relative reliability value of DRRS in real-time, particularly when compared to Non-Spinning Reserve Service (Non-Spin) which has a $15/MWh floor

April TAC voted to approve a shortage floor price of $10/MWh

3. Duration requirements for DRRS and Non-Spin

Duration requirements for DRRS and Non-Spinning Reserve Service (Non-Spin)

ERCOT intends to conduct a holistic analysis to determine procurement quantities and duration requirements for each Ancillary Service.

This may be performed as part of the annual Ancillary Services Methodology analysis, or as a separate analysis, prior to the implementation of DRRS.

ERCOT / IMM joint proposal

Non-Spin duration = 2 hours

- ERCOT/IMM jointly propose a 2-hour duration for Non-Spin, a reduction from 4 hours today.
- Introducing DRRS will cover 4-hour needs that are currently carried as Non-Spin.

April TAC voted to approve reducing Non-Spin duration to 2 hours

Statutory and PUCT guidance

DRRS duration = 4 hours

- March 2026 PUCT guidance confirms 4-hour DRRS duration to be maintained for now
- Could be revisited in the future if reliability analysis shows need for a longer duration.

Summary

Statutory Requirement

- DRRS is required by Section 39.159(d) of the Public Utility Regulatory Act (PURA).

Significant Design Evolution

- Three iterations since 2023 to develop the design of DRRS. The current multiple NPRR structure reflects stakeholder and PUCT feedback, while balancing risks to the timeline for core functionality implementation.

June 2026 Board Vote on NPRR 1309

- NPRR 1309 / NOGRR 283 are before the Board for approval today. Implementation in 2028.

Future Optionality for Resource Adequacy

- NPRR 1310's Release Factor enables DRRS to serve as a resource adequacy tool without significant market design changes – a key feature given the rapid load growth in Texas.
- The 2026 reliability assessment (results targeted for fall 2026) will determine whether further market design changes are needed – DRRS is on the list of options.

Future Optionality for ESR Participation

- Will be further described in NPRR 13XX. If approved by the end of 2026, ESR participation can be implemented at the same time as NPRR 1309 for 4-hour batteries.