



Item 11: Commercial Markets Update

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Vice President, Commercial Operations

Board of Directors Meeting

September 14-15, 2026

Purpose

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

For information only

No action is requested; for discussion only.

Key Takeaways

- Inputs submitted by a subset of market participants contributed to increased RUC volumes
- Legislative priorities continue to advance
- Consultant making progress on evaluating credit stress testing framework

Inputs to the Reliability Unit Commitment (RUC) engine have been leading to higher-than-necessary RUC commitments

1

QSEs submit HBSOC

Hour-Beginning State-of-Charge is submitted via the Current Operating Plan (COP), signaling planned charge/discharge.

2

A “flat” value signals no movement

RUC interprets an unchanging HBSOC as energy and Ancillary Services being inaccessible for dispatch.

3

RUC commits extra capacity

To cover energy and AS that RUC believes the ESR fleet cannot provide in future hours.

~40%

of the ESR fleet submitted flat HBSOC across the entire day, removing that energy from RUC's future-hour resource pool

But in Real-Time...

RUC ASSUMED

Energy and AS were inaccessible → RUC committed additional capacity

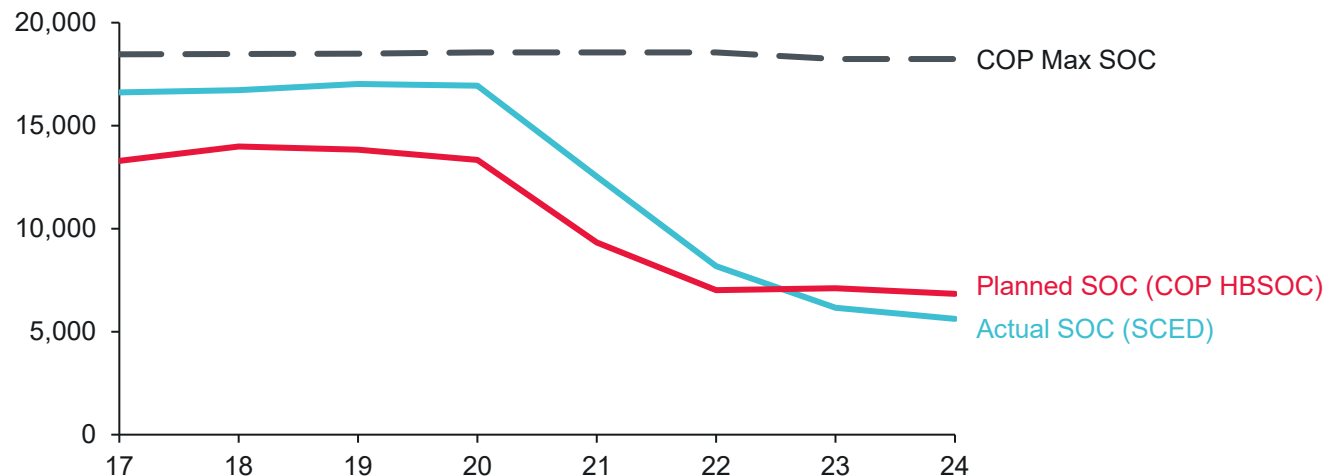
ACTUAL OUTCOME

ESRs discharged and were dispatched; committed units sat online at minimum output

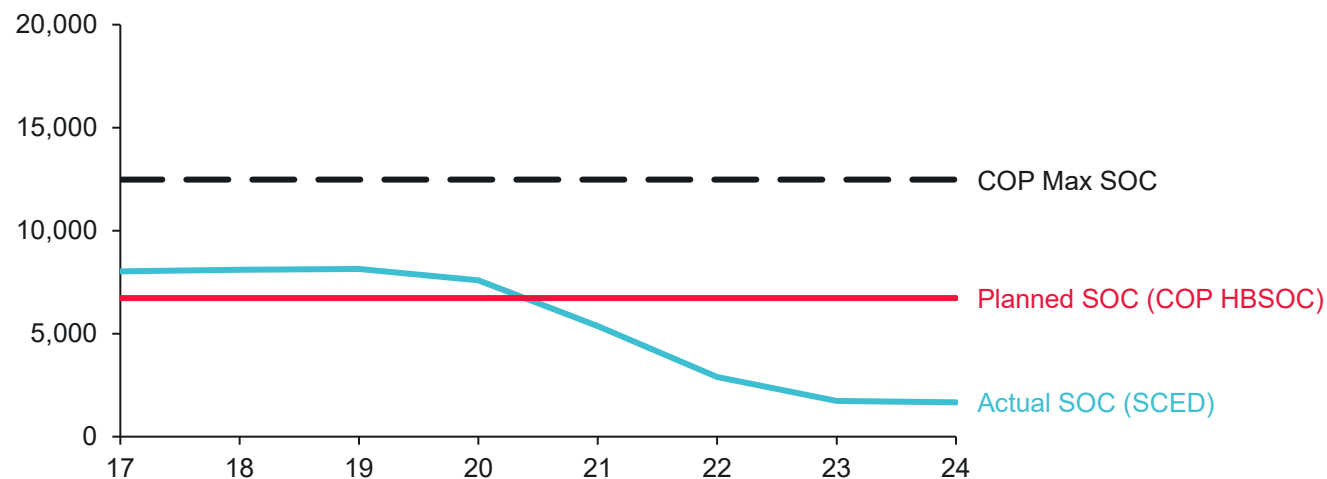
Note: Some Market Participants pointed to Ancillary Service Deployment Factors (ASDFs) as a possible alternative driver — assessed in the following slides.

May 9, 2026: Submitted HBSOC is inconsistent with actual state of charge, hides energy from RUC that the ESR actually discharges

SOC for ESRs Submitting Dynamic HBSOC (MWh)



SOC for ESRs Submitting Constant or 'Flat' HBSOC (MWh)

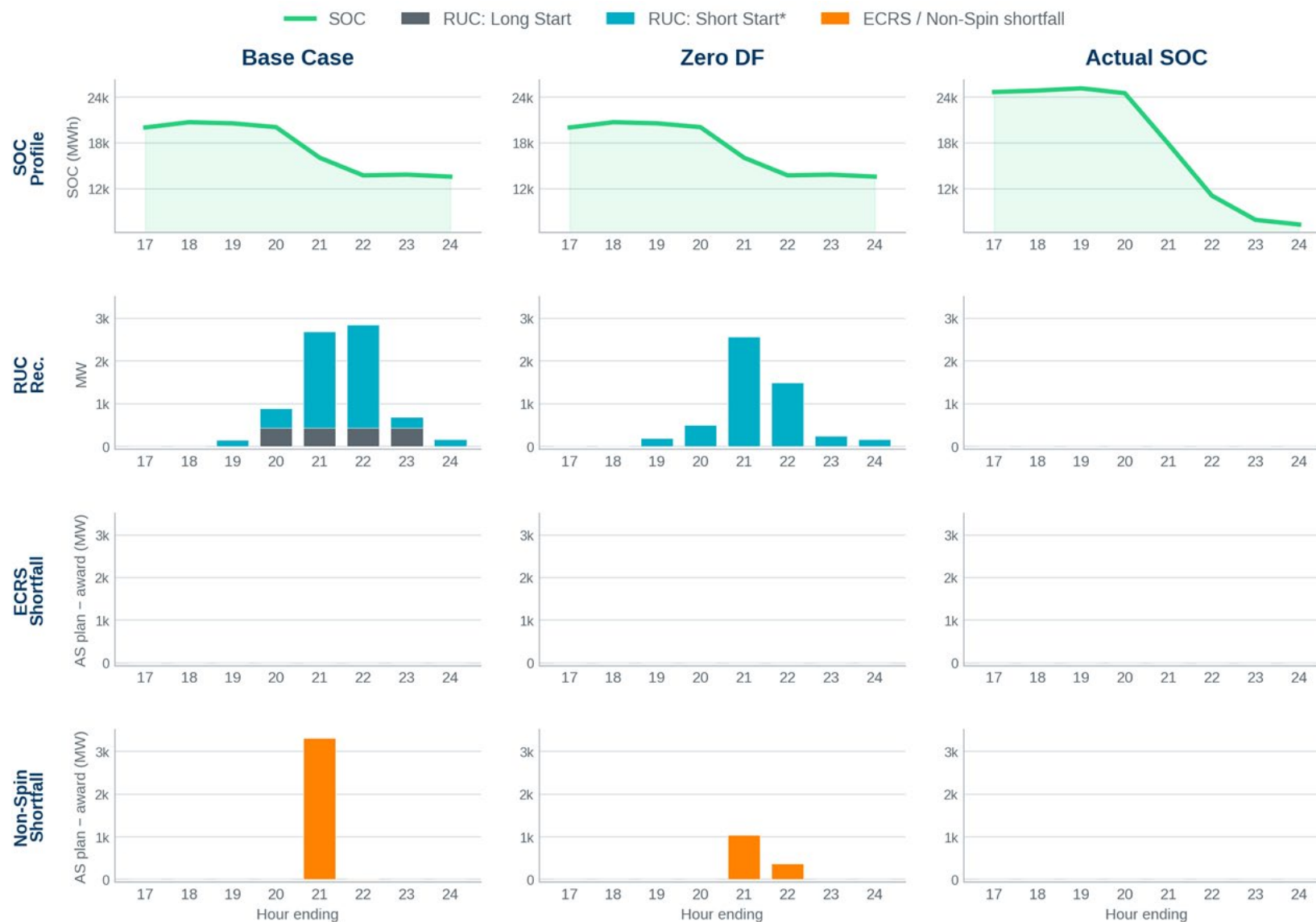


Delivery Hour on May 9, 2026

Takeaway

- Hourly RUC execution from 15:00 ahead of the evening operating hours.
- Dynamic HBSOC resources showed some SOC trajectory movement, but real-time SOC declined more sharply after HE20.
- Flat HBSOC resources did not reflect the evening discharge, preventing RUC from using this ESR energy.

May 9, 2026: Ignoring AS Deployment Factors had a negligible effect on RUC commitments; using real-time SOC eliminated all of them



Takeaway

- In the May 9th 15:00 HRUC study, COP HBSOC understated the actual HE20-22 ESR SOC decrease: 6.2 GWh modeled versus 16.6 GWh actual.
- Setting ASDFs to zero reduced RUC recommendations, but short-start recommendations and Non-Spin shortfall remained.
- Using telemetered RT SOC proxy exposed additional ESR energy and eliminated RUC recommendations and shortfall in the study.

*Short Start resources have a cold startup time <= 1 hr

*Actual SOC profile would be impacted by accepted RUCs that were online in real-time

ERCOT is taking steps to address this behavior through education and outreach, but has not ruled out further steps



May 28, 2026



■ Profiled ■ Flat

20,000 MWh profiled • 15,000 MWh flat



Flat share cut nearly in half

August 18, 2026



■ Profiled ■ Flat

30,000 MWh profiled • 8,500 MWh flat

NEXT STEPS ERCOT brings updated results to the September WMWG. If flat submissions persist, ERCOT and stakeholders may pursue Protocol changes or compliance action.

ERCOT is advancing legislative priorities as well as other market evolution initiatives

Legislative and Regulatory Priority Initiatives

Dispatchable Reliability Reserve Service (DRRS)

NPRR1309 APPROVED — PROJECT UNDERWAY

NPRR1340 (ESR participation) is under WMWG discussion. Board approval in December could allow concurrent implementation with NPRR1309.

Generation Firming Program

NPRR1328 BEFORE BOARD

Early project work is underway to meet the December 1, 2027 legislative deadline; a phased approach may be needed.

Ongoing Market Evolution Initiatives

Point-to-Point (PTP) Obligation Bid Fee

THE ISSUE

A sharp rise in PTP Obligation bid volumes is straining the DAM process, requiring manual intervention and raising the risk of missed posting deadlines.



THE FIX

A fee on each inefficient PTP Obligation hourly bid — aligned with the IMM's 2024 State of the Market recommendation — would flow into the DAM Congestion Rent calculation and appear as a new line item on the DAM Statement.

Market Credit has been stable, providing opportunity to evolve our processes

\$2.2B

market-wide average Total Potential Exposure (TPE) for July — flat for the last two months amid steady prices

Credit Performance

NO SETTLEMENT OR CREDIT DEFAULTS

No significant issues have arisen; ERCOT's credit exposure has remained well-managed through the period.

Stress Testing Framework

IN PROGRESS — WITH INDEPENDENT CONSULTANT

ERCOT continues working with an independent consultant to develop a market-wide stress testing framework.

CRR Collateral Formula Revision

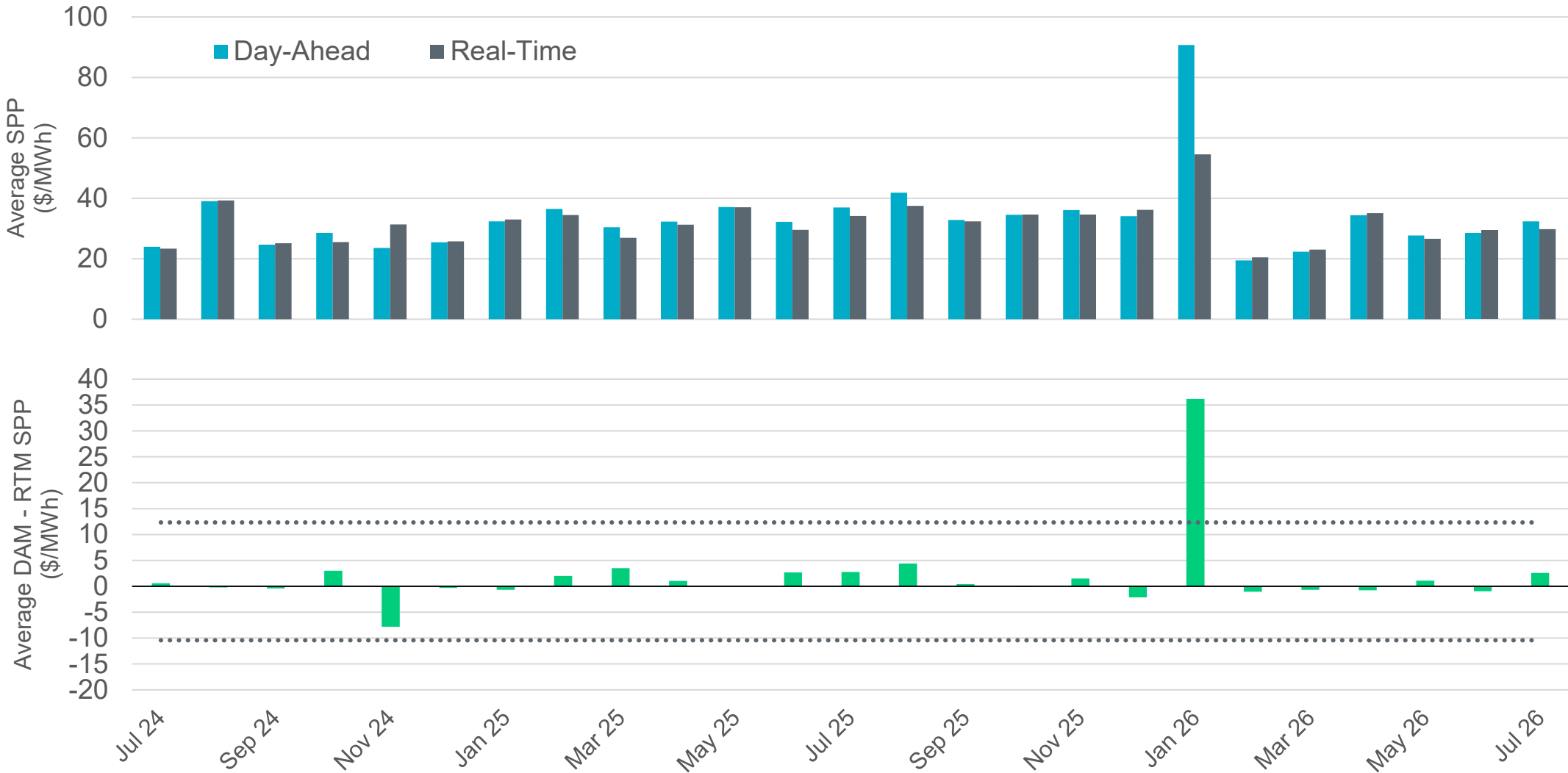
UNDER REVIEW WITH CFSG

ERCOT staff is proposing formula revisions with the Credit and Finance Subgroup, including back-testing across market participants. Likely to engage consultant on further changes.

Appendix

- Appendix A: Day-ahead and real-time energy and AS pricing
- Appendix B: Congestion Rent
- Appendix C: RUC Activity
- Appendix D: Notable Settlement Outcomes
- Appendix E: Price Impact Event Analysis
- Appendix F: Credit metrics

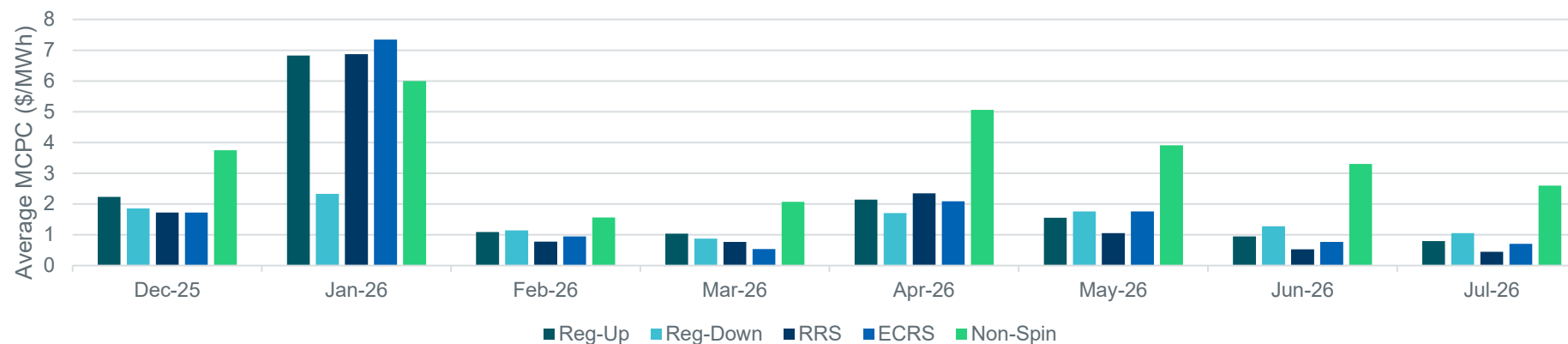
Day-ahead prices exceeded real-time prices in July by \$2.58/MWh, on average



Notes: 1) The dotted lines represent the bounds for major outliers .
2) Averages are weighted by Real-Time Market Load.

Day-ahead and real-time Ancillary Service prices have been trending lower since April

DAM Average MCPC

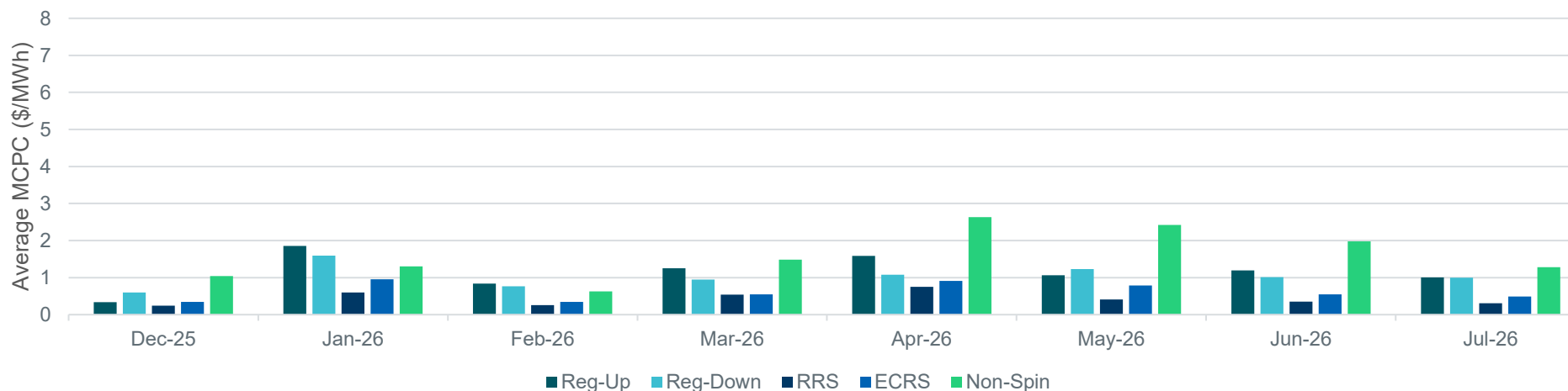


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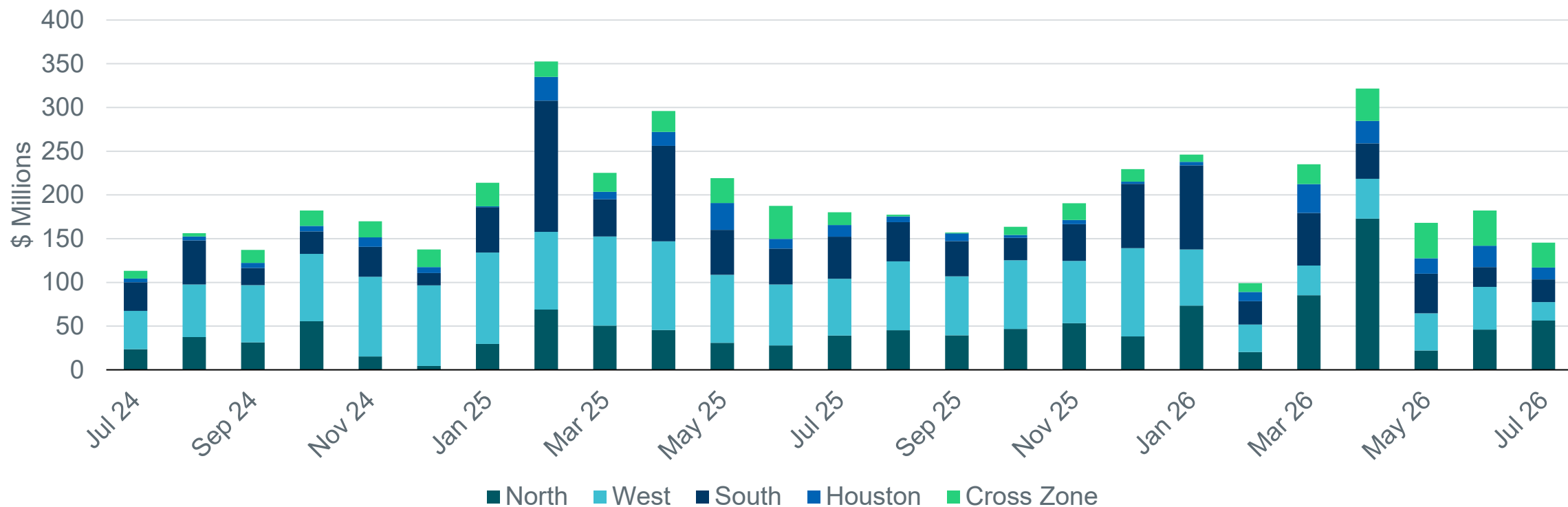
1) Starting with the introduction of the RTC+B program in December 2025, there are now MCPCs for all Ancillary Services in the Real-Time Market (RTM). The chart compares RTM MCPCs to DAM MCPCs.

2) Monthly MCPCs are calculated as energy- and time-weighted average values, using the total AS awards of each interval for each AS type.

RT Average MCPC



Real-time congestion rent decreased 20% in July from June 2026



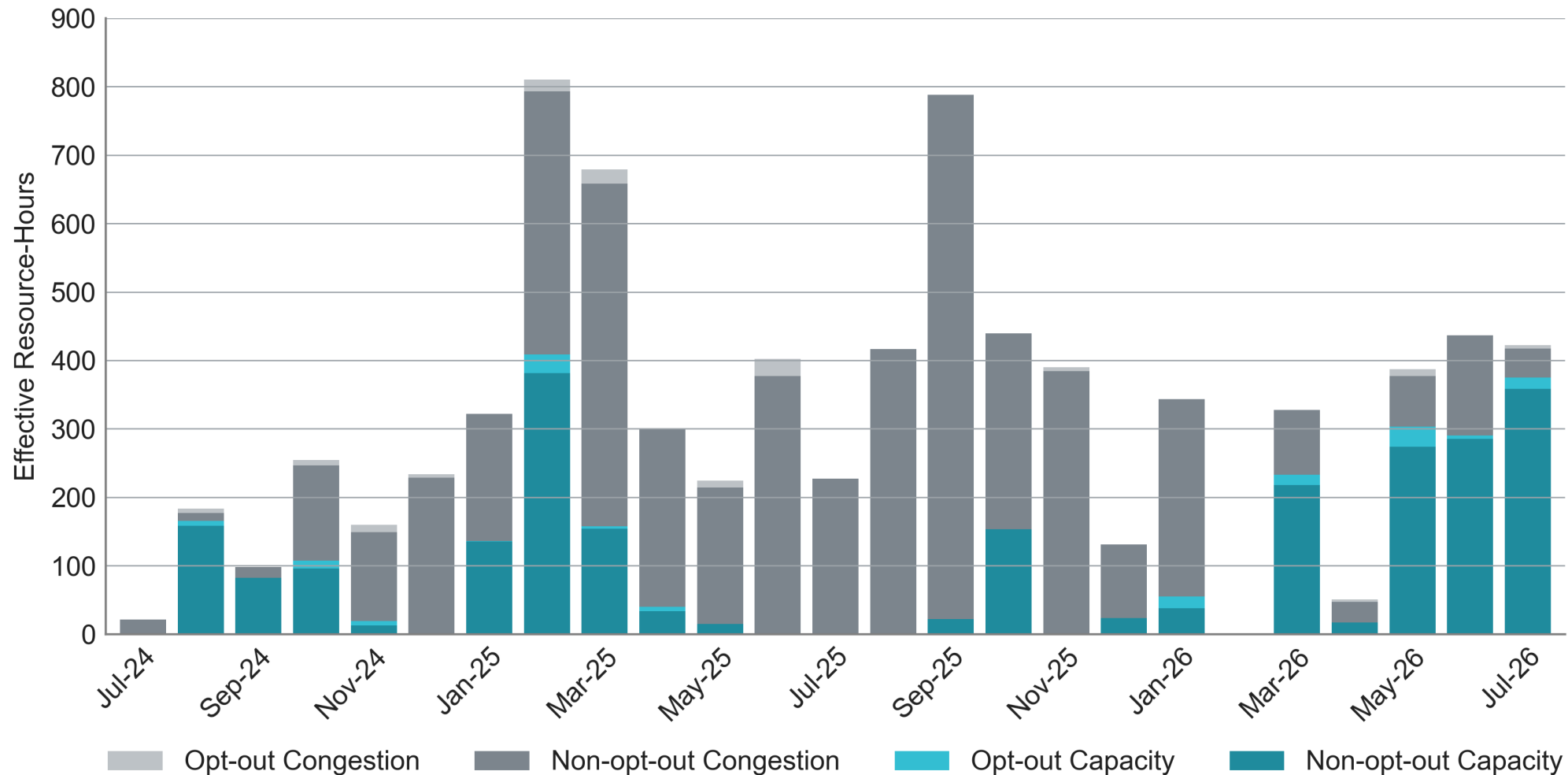
The highest real-time congestion rent was in the North and Cross Zones

- The constraint representing the loss of the 345 kV double circuit Salado Switch to Hutto (overloading the 138 kV line from Fryers Creek to Temple Switch) primarily drove congestion rent in the **North Zone**.
- The constraint representing the loss of the 345 kV line from Wolf to WA Parish and the 345 kV line from Whaley to WA Parish (overloading the 345 kV line from South Texas Project to WA Parish) primarily drove congestion rent in the **Cross Zone**.

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.

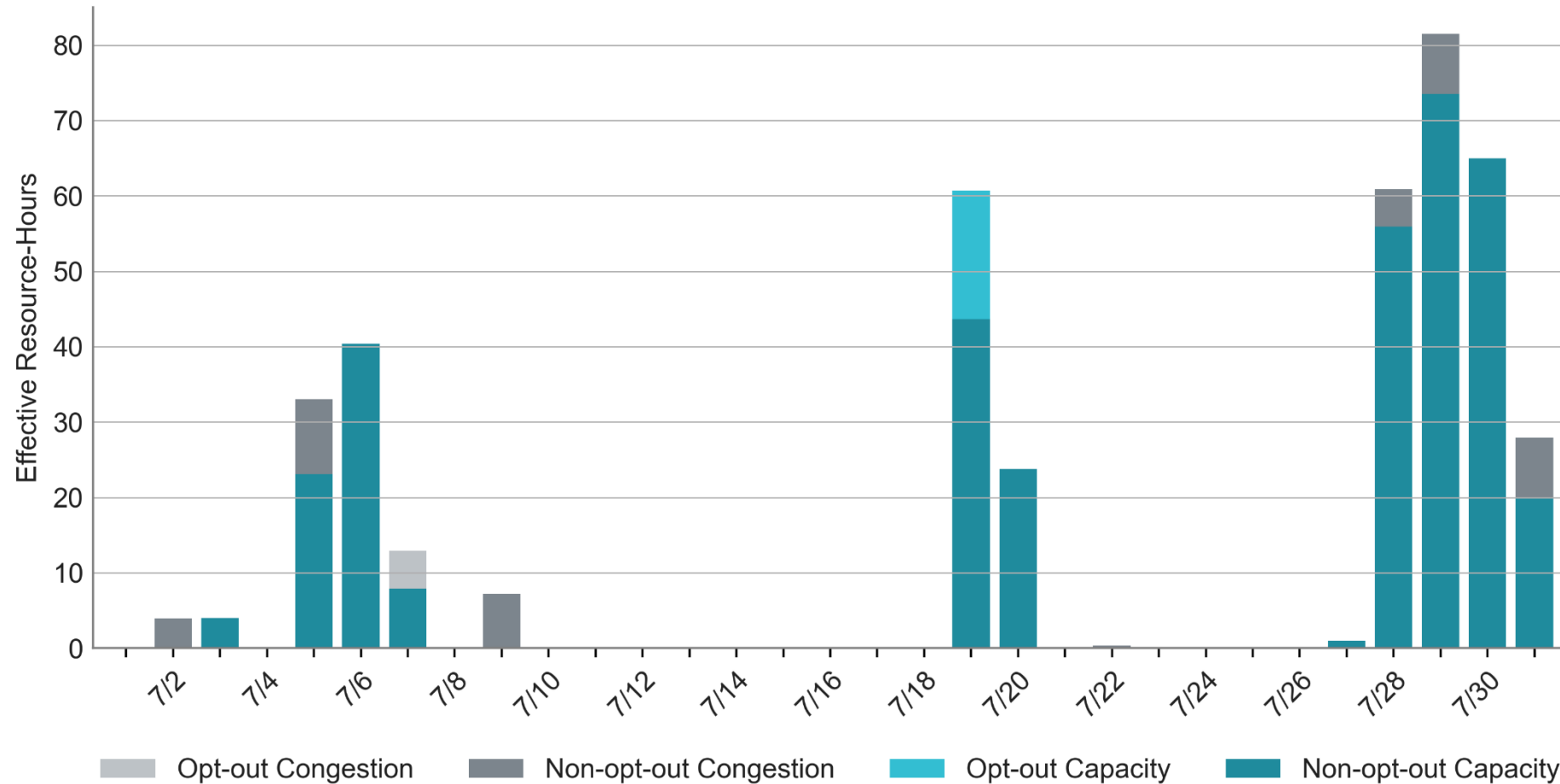
RUC activity decreased slightly in July 2026 compared to June



Notes:

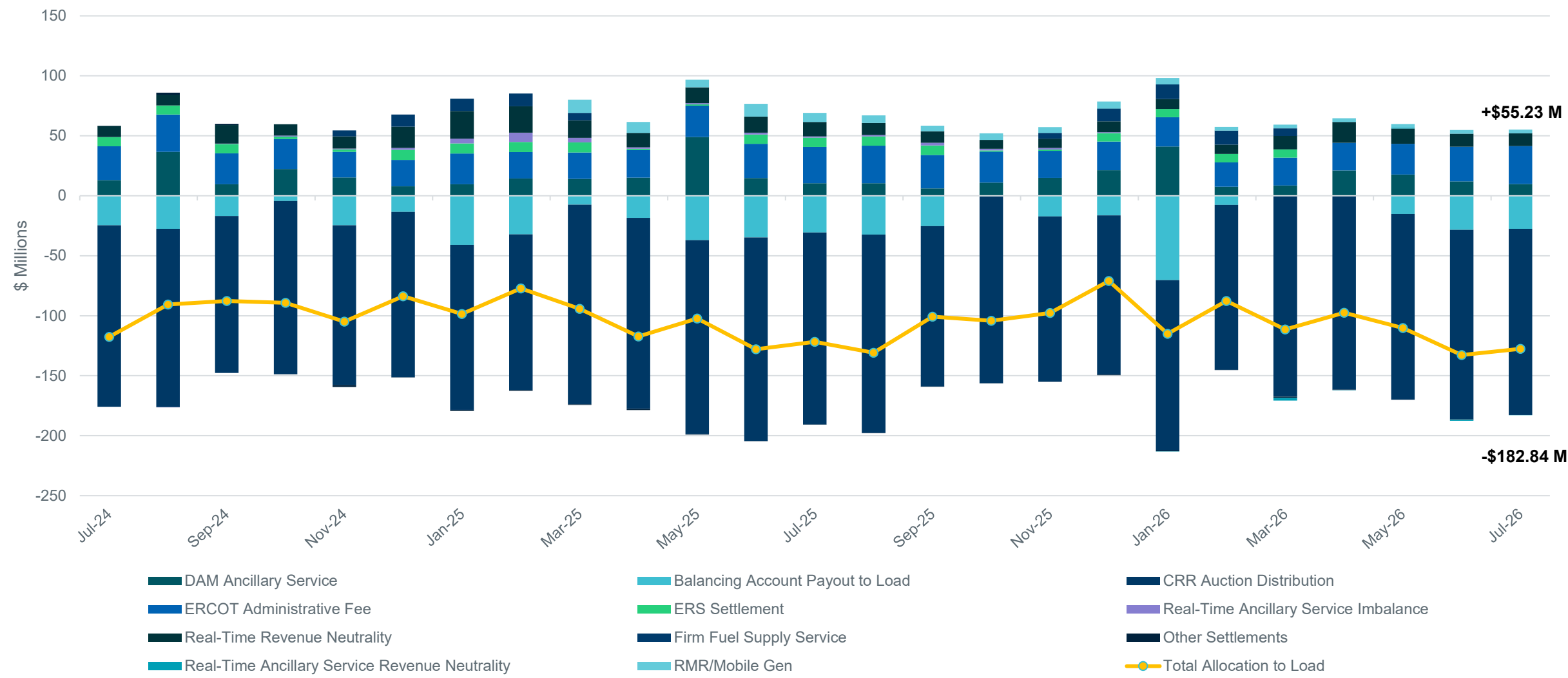
1) "Effective Resource-Hours" excludes any period during a Reliability Unit Commitment hour when the RUC-committed Resource was starting up, shutting down, off-line, or otherwise not available for dispatch by SCED.

Like the preceding months, most RUC instructions (89%) in July were committed to address capacity needs



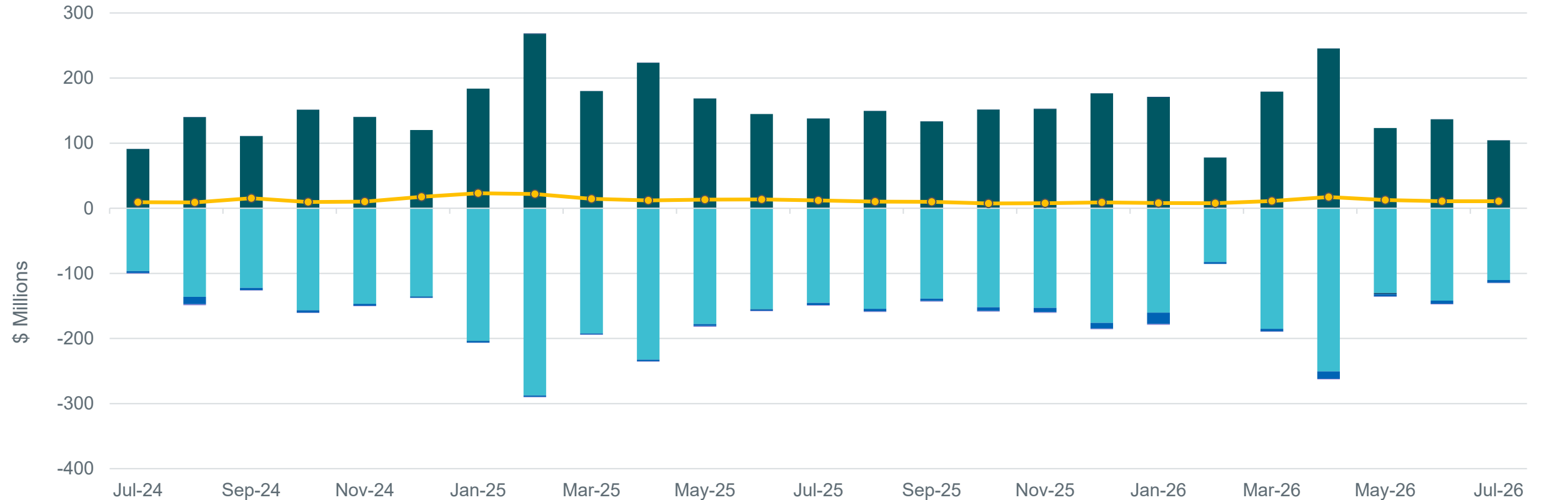
There were 422.4 RUC total effective Resource-hours in July. 375.2 hours (89%) were committed to address capacity concerns and 47.3 hours (11%) were committed to alleviate congestion.

Net Allocation to Load in July 2026 was (\$127.61) Million



This information is available in tabular form in the Settlement Stability Report presented quarterly to the [Wholesale Market Subcommittee](#)

Real-Time Revenue Neutrality Allocated to Load was \$10.69M for July 2026



- Real-Time Energy Imbalance

Real-Time Congestion from Self-Schedules

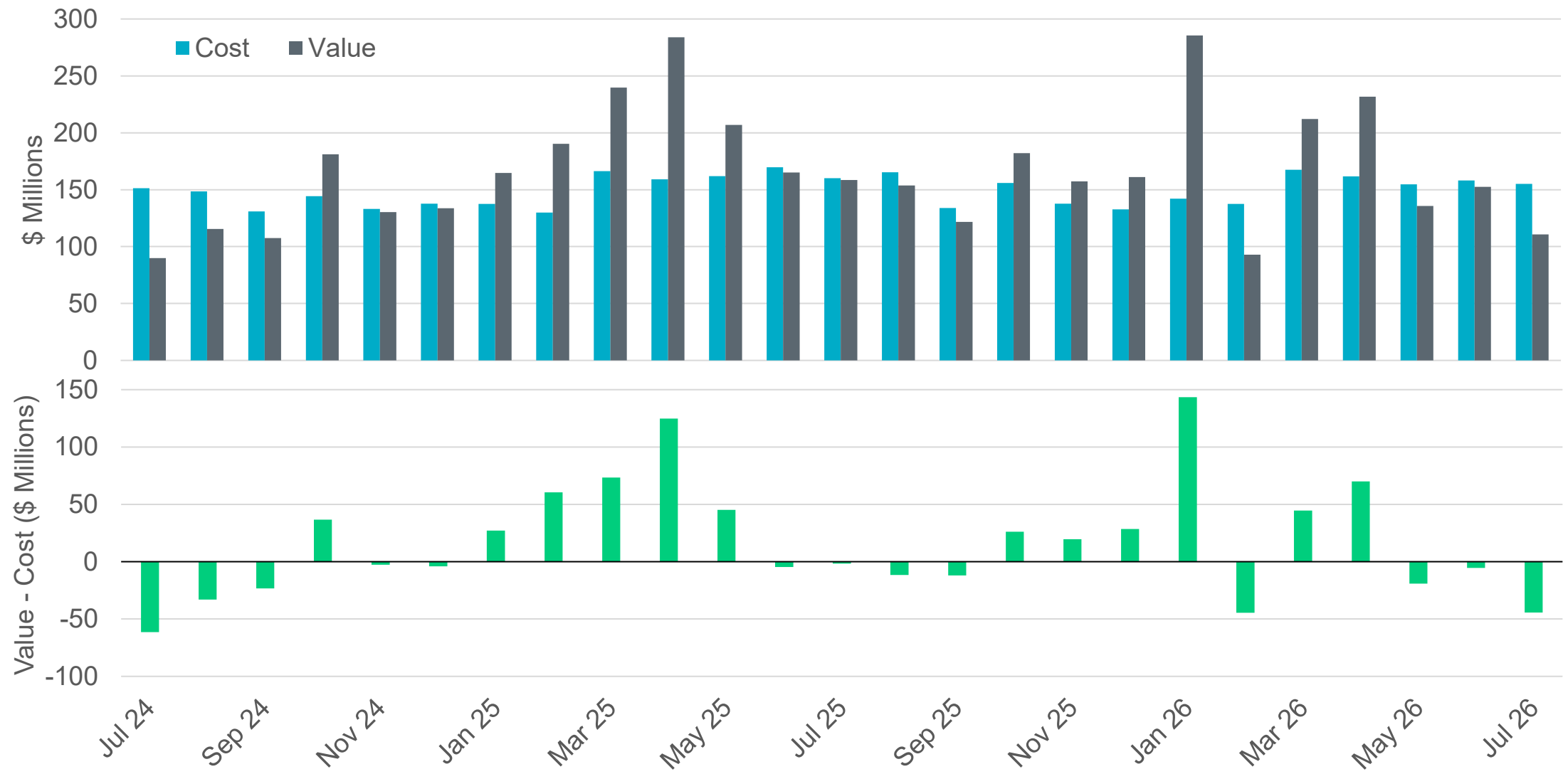
Real-Time Energy for SODG and SOTG
- Real-Time Point-to-Point Obligations

DC Ties & Block Load Transfers

Load Allocated Revenue Neutrality

July 2026 (\$M)	
Real-Time Energy Imbalance	\$104.13
Real-Time Point-to-Point Obligation	(\$110.36)
Real-Time Congestion from Self-Schedules	\$0.41
DC Tie & Block Load Transfer	(\$4.05)
Real-Time Energy for SODG and SOTG	(\$0.82)
Load Allocated Revenue Neutrality	\$10.69

The net value of Congestion Revenue Rights (CRRs) was negative by ~\$44M in July

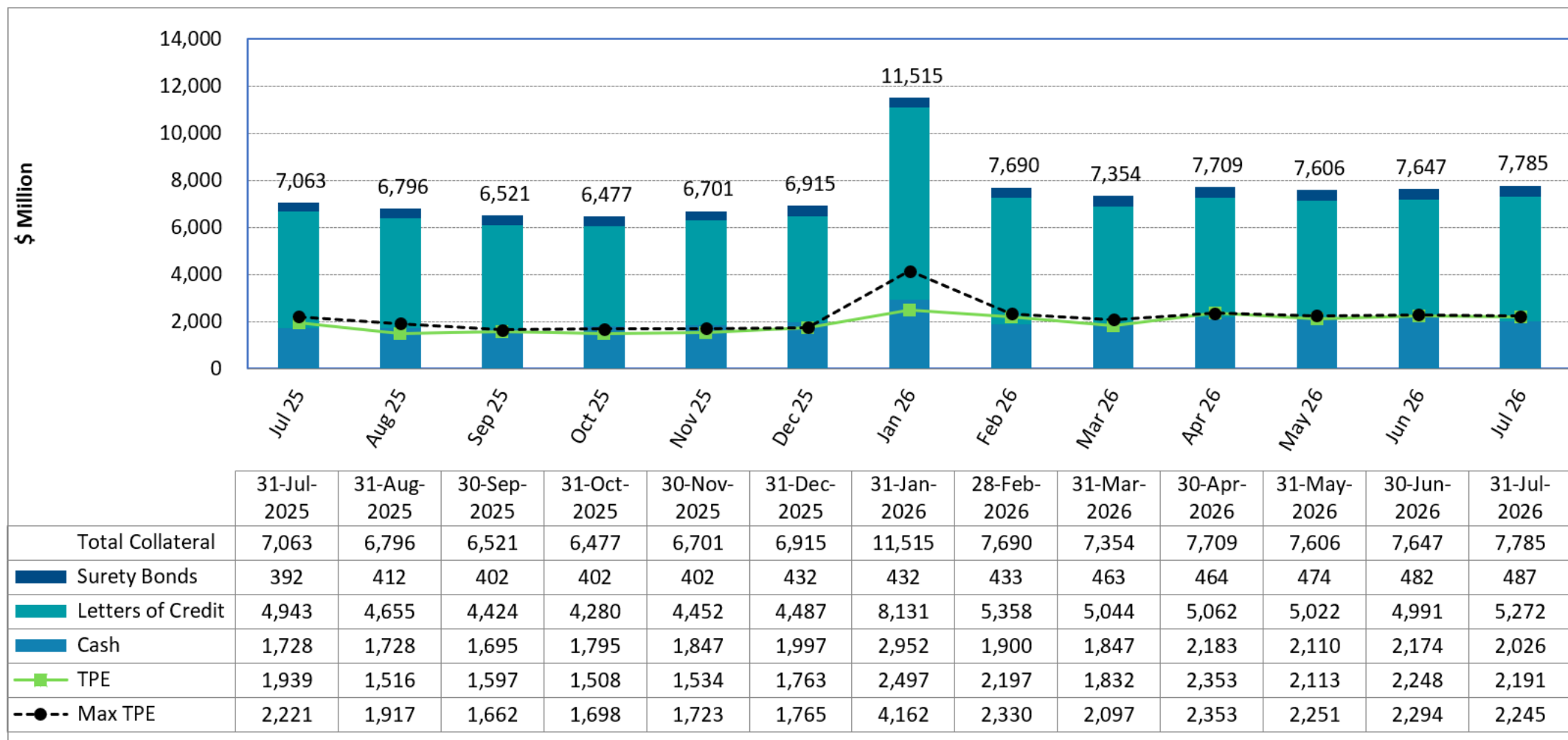


ERCOT identified one pricing incident, but it did not meet the criteria to correct prices

Did Not Meet Criteria

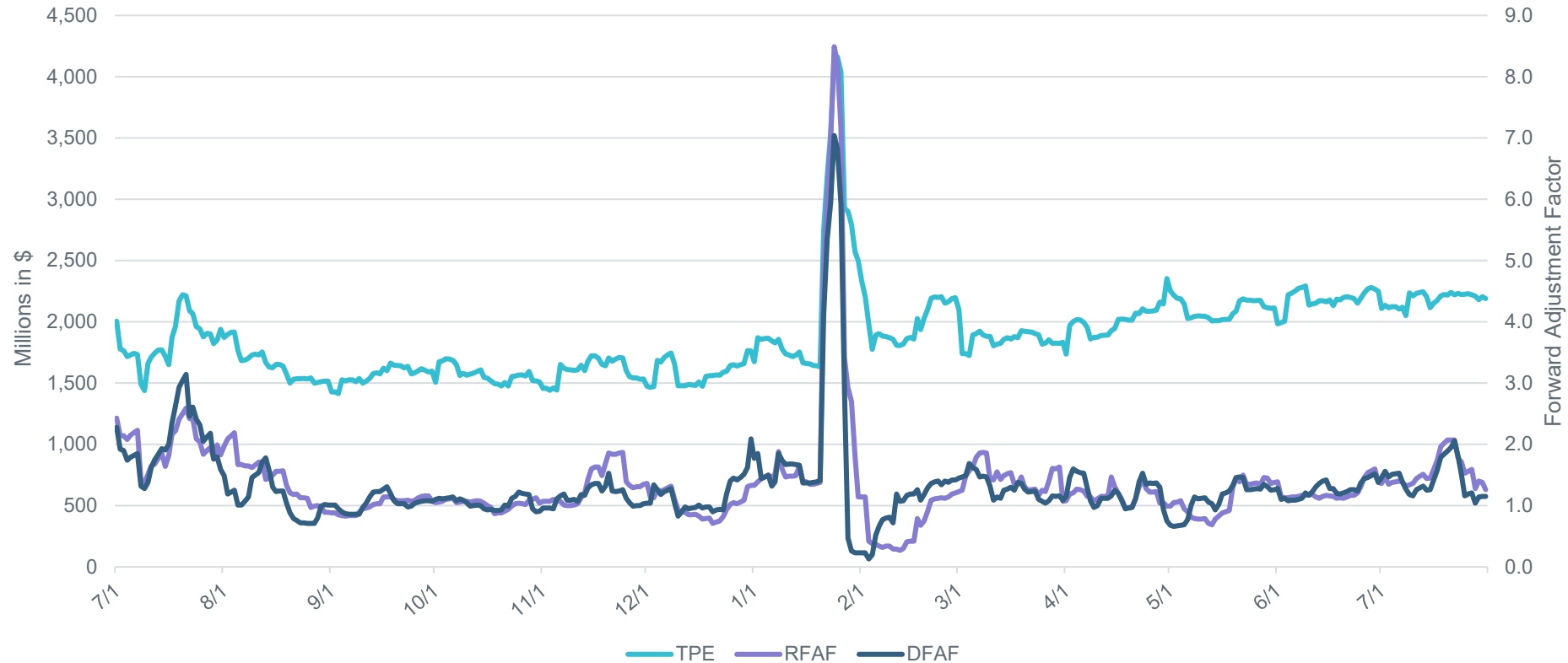
On Operating Day July 9, 2026, ERCOT performed a scheduled site failover and activated Emergency Basepoints. ERCOT's analysis showed an estimated absolute total dollar impact of \$40.78 for changes to Real-Time prices for energy metered. This impact did not meet the threshold criteria of \$500 and so ERCOT will not correct prices.

Available Credit by Type Compared to Total Potential Exposure (TPE)



*Numbers are as of month end except for Max TPE

Total Potential Exposure (TPE) and Forward Adjustment Factors: July 2025 – July 2026



Key Takeaway(s): On average TPE, RFAF and DFAF has been relatively flat in June and July 2026.