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Item 11.1: ERCOT Staff Response to IMM State of the Market Report

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Board of Directors Meeting

September 14-15, 2026

Purpose

Provide ERCOT's response to the 2025 Independent Market Monitor State of the Markets report recommendation and share progress on existing recommendations.

For information only

No action is requested; for discussion only.

Key Takeaways

- IMM has provided one new recommendation, on Firm Fuel Supply Service policy.
- There are areas on which the ERCOT and IMM agree in principle, and others where we suggest further discussion and study is needed.
- Meaningful progress is being made on IMM recommendations from previous years.

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The Independent Market Monitor (IMM) released its State of the Market (SOM) Report for 2025

1

END OF MAY 2026

IMM Releases 2025 Report

IMM publishes its State of the Market Report for 2025.

2

JUNE 2026

ERCOT Shares Initial Impressions

ERCOT briefs the Board, noting areas of agreement and differing views.

3

AUGUST 2026

PUCT Staff Responds

PUCT Staff release responses to all current and outstanding SOM recommendations.

4

TODAY — SEPT 14, 2026

ERCOT Presents Formal Response

ERCOT responds to the 2025 recommendation and reports progress on prior years.

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IMM Has Made One New Recommendation in 2025 Report

Recommendation	ERCOT Position and Comments
Redesign & Improve the Firm Fuel Supply Service	ERCOT does not currently have a position on this recommendation. This item is best taken up by the PUCT to consider the reforms proposed by the IMM. Under Project No. 34677 Commission Staff noted that they disagree and that no action is required. ERCOT does not plan any further actions.

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Progress has been on some existing recommendations

Report Year	Recommendation	Updates on Progress since the Last Report
2024	Reform Shortage Pricing Mechanism and Ancillary Service (AS) Methodology to Reflect Reliability Risk	
	a) Define AS Demand Curves (ASDCs) According to Marginal Reliability Value of Each Product	ERCOT agrees in principle that the shape of the ASDCs should be re-evaluated. Following the decision of the PUCT at its August 20th, 2026 Open Meeting that the Aggregate ORDC shape is no longer binding upon ASDC design, we look forward to working with the IMM and PUCT to re-evaluate the ASDCs.
	b) Adopt a Probabilistic / Stochastic Risk Methodology for the AS Plan	ERCOT agrees in principle. The 2027 Ancillary Services Methodology will use a probabilistic approach to determine both ERCOT Contingency Reserve Service (ECRS) and Non-Spin quantities, as in 2026. We may differ on the specific means by which a methodology is adopted.

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Progress has been made on some existing recommendations

Report Year	Recommendation	Updates on Progress since the Last Report
2024	Set Duration Requirements for Non-Spinning Responsive Reserve (Non-Spin) to One Hour	As part of Joint Comments on NPRR1309, ERCOT and the IMM proposed a two-hour duration for Non-Spin upon the implementation of the Dispatchable Reliability Reserve Service (DRRS). This was adopted with the approval of NPRR1309 and will reduce the duration requirement for Non-Spin from four hours to two hours. ERCOT does not currently support shortening the Non-Spin duration requirement further.
2024	Implement Process to Mitigate Market Power at System and Zonal Levels	Recommendation warrants further discussion. There are concerns regarding the interaction of administrative offer curves and scarcity pricing at the system level. Also, it is uncertain whether zonal mitigation provides benefit above that done at the nodal level. Awaiting further IMM analysis and information.

Progress has been made on some existing recommendations

Report Year	Recommendation	Updates on Progress since the Last Report
2024	Establish Real-Time Offer Requirements, Penalties, and Proxy Pricing	Recommendation warrants further discussion. Must-offer requirements may conflict with underlying principles of ERCOT's voluntary market. Awaiting further IMM analysis and information.
2022	Implement a Multi-Interval Real-Time Market	The Grid Transformation initiatives team considering as part on their roadmap.
2021	Implement an Uncertainty Product	Dispatchable Reliability Reserve Service (DRRS) will be implemented through NPRR1309, planned for 2028.
2020	Reconfigure Load Zones to Reflect Prevailing Congestion Patterns	Prevailing congestion patterns identified now may not be representative of future congestion, as the timeline for any change to existing load zones is several years. We await decisions on future transmission investment to better inform how load zone configurations may need to evolve.

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Progress has been made on some existing recommendations

Report Year	Recommendation	Updates on Progress since the Last Report
2020	Implement a Point-to-Point Obligation Bid Fee	We agree with the IMM regarding performance concerns for the DAM and CRR auction. We continue to discuss options with stakeholders and have proposed NPRR1343 as a solution.
2019	Price Ancillary Services Based on the Shadow Price of Procuring Each Service	ERCOT will continue to monitor this item and consider any next steps as part of ongoing prioritization activities.
2015	Modify the allocation of transmission costs by transitioning away from the 4CP method.	In Project 58484, PUCT Staff recommend a 12CP methodology measured on a 30-minute interval and has opened rulemaking under Project 58000. ERCOT will continue to support the PUCT with independent analysis, as needed.