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| NPRR Number | [1092](http://www.ercot.com/mktrules/issues/NPRR1092) | NPRR Title | Reduce RUC Offer Floor and Remove RUC Opt-Out Provision |
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| Date | | March 8, 2022 | |
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| Market Segment | | N/A | |

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| Comments |

Texas Competitive Power Advocates (TCPA) appreciates the opportunity to comment on concerns regarding Nodal Protocol Revision Request (NPRR) 1092 in advance of the stakeholder workshop on March 10, 2022. While our member companies may have some differing viewpoints on the Reliability Unit Commitment (RUC) offer floor, all of our member companies share an overarching concern with the use of RUC, not as a reliability tool, but as a frequent out-of-market action ERCOT takes as part of its conservative post-Uri grid operations.

The overuse of RUC, the over-procurement of ancillary services, early deployment of ERS, and the creation of new capacity-subsidized demand response programs all mark a significant departure from the energy-only market design and can have a price suppressive impact. TCPA members are concerned this NPRR sends a signal to dispatchable resources that new investment is not needed and that it is questionable whether existing resources should be maintained. RUCs uniquely harm dispatchable thermal generation, as intermittent renewables, energy storage, and load resources are not subjected to RUCs. The resources that are being RUC’d are disproportionately older units that were not designed to be run in the manner ERCOT is using them. As a result, these units are more likely to need extensive maintenance sooner, to face a forced outage at a time they are actually needed and can provide value to their owners, deplete their emissions limits before being able to economically utilize them, and are more likely to be deemed uneconomic and face retirement sooner.

NPRR 1092 does nothing to address the real problem facing ERCOT, sufficient resource adequacy for consumers. ERCOT operators are unwilling to allow the market to work and rely on economic self-commitment of resources. Instead, ERCOT is resorting to command-and-control tactics as a commonplace operational method and not one to be undertaken only in emergency situations. Furthermore, this operating approach contradicts the ERCOT market design that relies on price signals to attract investment and incentivize resources to respond to real time reliability concerns. This operating approach is contrary to the overarching legislative mandate in SB 3 to provide a market structure that values and supports investment in dispatchable resources. RUC does not allow for a reasonable return, and recently ERCOT has told some TCPA members that their documented RUC operating costs will not be covered under the Protocols. Aligning our market structure with policymakers’ reliability objectives is necessary to improve the economics of all dispatchable generation such that self-commitment is occurring because the market signals indicate a need for those resources to be online or appropriate compensation is available to incentivize that desired behavior. This NPRR does not address that root cause.

Nothing in NPRR 1092 will reverse ERCOT’s policy of maintaining a punitively large reserve margin cushion, and ERCOT operations has continually admitted that their use of RUC will not be reduced but may actually increase. It has pitted stakeholders against each other by focusing on the symptom of the problem, without addressing the cause. A comparison between prices the week of Landon and on Thursday, February 24 shows that prices continue to correlate with whether the expected wind forecast materializes in real-time or not. There is no reason ERCOT should be RUC’ing a punitively large reserve margin cushion and yet that is happening.

TCPA continues to urge stakeholders and ERCOT to avoid making piecemeal market design changes and focus on holistic market design changes being undertaken by the Commission to increase reliability that have yet to be realized; and TCPA urges ERCOT to only use RUC for true capacity insufficiency as was the prior practice. All of these components are interconnected and impact market pricing as well as resource adequacy several years into the future, not just now. Making decisions without accounting for the impact on the market (both current and future states) is short-sighted and irresponsible. Major market design changes are more appropriate to pursue in the market design proceeding or by a formal rulemaking at the Commission so that it can be vetted in conjunction with the many other policy considerations concurrently under review. Ensuring that all market participants, regulators, and prospective market participants fully understand all consequences associated with a policy is critical. Unintended consequences may reverse other Commission or legislative actions and exacerbate the resource adequacy concerns and market alignments that all are working to delicately balance. The conservative operations at ERCOT, while an understandable reaction to recent history, can be viewed as sending market signals that suppress prices in real-time and in forward energy prices. If ERCOT continues the use of RUC beyond emergencies, then the message being sent to the market is that ERCOT expects dispatchable generation resources to operate at a loss, in order to provide reliability that market signals do not reflect, and that this market is unconcerned with whether dispatchable resources are economic or not. That message runs counter to that espoused by the Texas Legislature in its enactment of SB 3, the directive sent by Governor Abbott in his letter to commissioners last July, and to the goals outlined by the Commission in its undertaking of market design and grid reliability reforms. TCPA strongly encourages the Commission and ERCOT to move quickly on a holistic resource adequacy solution that prioritizes system reliability and excess reserves through appropriate financial incentives.

ERCOT and Stakeholders should pursue a sustainable market design that transparently defines reliability objectives and clearly delineates the reserve amount required from dispatchable resources, so that market prices and compensation are reflective of the risk tolerance and desired reliability made clear by our customers following Uri. Markets work when transparent information is provided to all participants. This NPRR focuses on the symptoms without addressing the root cause, and continuing to operate the grid with excessive use of RUC will harm reliability by overusing unnecessary resources without appropriate compensation.