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Public Utility Commission of Texas

Memorandum

TO: Chairman Thomas J. Gleeson
Commissioner Kathleen Jackson
Commissioner Courtney K. Hjaltman

FROM: Harika Basaran, Market Analysis

DATE: August 14, 2025

RE: August 21, 2024, Open Meeting – Item No. 37

**Project No. 34677 – *Reports of the Independent Market Monitor for the ERCOT Region*
Staff's response to the 2024 State of the Market Report**

Background

Each year, the Independent Market Monitor for the ERCOT power region (IMM) issues a report on the state of the electric wholesale markets.¹ In this report, the IMM provides detailed analyses related to the efficiency and competitiveness of the markets and assesses whether any inappropriate incentives or market inefficiencies exist. If the IMM finds any such flaws, it must offer recommendations on how to address them.

Since 2006, the annual State of the Market (SOM) reports have been filed in Project No. 34677, and the IMM filed its 2024 SOM report on May 30, 2024 in that project.² Starting last year, with the 2023 SOM Report, Staff has begun filing a response to the SOM to facilitate the commission's review of the report. This memo discusses Staff's position on each of the recommendations included in the 2024 SOM report, including those initially offered in prior years.

A summary table of Staff's response to each outstanding SOM recommendation is provided below, followed by a more detailed, narrative discussion. The SOM recommendations are listed in reverse chronological order.

¹ See 16 TAC § 25.365(k).

² See *Reports of the Independent Market Monitor for the ERCOT Region*, Project No. 34677, AIS Item No. 23 (May 30, 2025). IMM also filed corrections to some parts of their report on July 28, 2025; however, these changes do not result in any significance alterations to the recommendations or conclusions.

Summary of Staff's Positions on IMM Recommendations

Rec. No.	Short Description	Staff Rec.	Action Required	Timing
2024-1a	Define ASDCs According to Marginal Reliability Value of Each Product	Neutral	Data analysis after RTC+B to evaluate if NPRR 1268 ASDCs are working	Consider as an option within the 2026 Reliability Standard Assessment if needed to meet the targets
2024-1b	Adopt a Probabilistic/Stochastic Risk Methodology for the AS Plan	Support	None	2026 AS methodology in progress
2024-2	Set Duration Requirements for ECRS and Non-Spin Reserve Service (NSRS) to One Hour	Disagree	ERCOT continue to evaluate during annual AS methodology approval at the PUC and report	ECRS: done with NPRR 1269 Non-spin: continue to evaluate after RTC+B
2024-3	Implement Process to Mitigate Market Power at System and Zonal Levels	Neutral	Need more time for stakeholder feedback and to assess if rulemaking is necessary	Wait for 2026 SOM and RTC+B impacts
2024-4	Establish Real-Time Offer Requirements, Penalties, and Proxy Pricing	Support Partially	IMM to monitor and report	RTC+B 2.0 open items/parking lot
2023-3	Improve procurement and deployment of ECRS	Disagree	None – PUCT rejected NPRR 1224	Resolved with RTC+B
2023-4	Improve the pricing and offer requirements of FFSS	Neutral	IMM to participate in FFSS rulemaking	Issue #1 FFSS rulemaking process Fall 2025/ Issue #2 goes away after RTC+B
2022-1	Implement multi-interval real-time market	Neutral	Additional analysis needed	IMM and ERCOT should run more analysis after RTC+B stabilized
2021-1	Eliminate the “small fish” rule	Support	Rule change	Project No.58379 in progress
2021-2	Implement an uncertainty product	Disagree	DRRS added by legislature	In progress
2020-3	Reconfigure Load Zones to Reflect Prevailing Congestion Patterns	Neutral	Protocol revision	Wait for market changes including TEF/ Transmission expansions
2020-4	Implement a point-to-point obligation bid fee	Neutral	Protocol revisions in progress	Reevaluate after NPPRs fully implemented

2019-2	Price ancillary services based on shadow price of service	Support	Protocol revision	RTC 2.0 open items/parking lot-AS study finding
2015-1	Modify TCOS away from 4CP method	Support	SB 6 89 th session	Project No. 58484 in progress (12/1/2026 new rule)

SOM Recommendation Analysis

This memo discusses 14 specific recommendations detailed in the IMM's 2024 SOM report, five of which were first introduced in 2024 while the other nine were carried over from previous reports. The IMM's 2024 SOM report also describes six prior recommendations that have been retired because they have been implemented, are no longer relevant, or have been incorporated into a broader or updated recommendation. Below, we summarize each of these 14 recommendations and provide our suggestions for next steps.

2024-1a	Define Ancillary Service Demand Curves (ASDC) According to Marginal Reliability Value of Each Product	Neutral
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Background on RTC ASDCs:

The initial ASDCs were described in RTC Key Principles (KPs) 1.1(4) and 1.1(5) and were approved by TAC in February of 2020. These principles were developed based on Commission decisions, as memorialized in Project No. 48540 *Review of Real-Time Co-Optimization in The ERCOT Market*.³ A memo submitted by Chairman Walker stated that **“these demand curves should be designed for real-time co-optimization to replicate the pricing outcomes of the ORDC”**.

The IMM officially brought this issue to the attention of Staff in its Emerging Issues Report in July of 2024⁴. In that report, the IMM stated that ASDCs are typically “nested” in other markets meaning each product is substitutable for any lower-quality product. However, the way they are designed in ERCOT does not allow SCED to efficiently tradeoff between products, as pricing is strictly hierarchical and KP 1.1(5) ASDCs tend to underprice ECRS and Non-Spin during shortages. The IMM recommended using a curve structure similar to those used by other US RTOs which have implemented RTC.

This topic has been discussed in the RTC+B Task Force meetings starting as early as May of 2024. There have been proposals by some market participants to address this topic. ERCOT and PUCT Staff reiterated that, while changes to ASDCs to improve pricing outcomes should be considered by stakeholders, these changes must meet two essential constraints:

³ Project 48540, Memorandum by Chairman Walker, June 26, 2019.

⁴ Staff could not locate any public filing by Potomac Economics opining on or raising any concerns about the shape of the RTC ASDCs from 2019 till 2024.

1. They cannot delay the go live date of RTC.⁵
2. They cannot deviate significantly from the policy decision of the commission that requires the same outcomes as ORDC (shape vs. slicing/dicing)

The IMM developed a solution which satisfied these constraints and made a detailed presentation at the November 13, 2024 task force meeting. The IMM subsequently filed NPRR 1268 on January 28, 2025.

In the SOM, the IMM concluded that, over time, the prevailing ORDC has been modified to meet goals such as ensuring revenue sufficiency and limiting consumer exposure to extreme costs. This constraint that *ASDCs must reflect ORDC* prevents each ancillary service from being valued based on its specific contribution to reliability. Therefore, the IMM recommends removing the requirement that the ASDCs aggregate to the AORDC and allowing each ASDC to be constructed individually to reflect the reliability value provided by the corresponding reserve product.

Staff Response: Staff believes first and foremost that data analysis is needed to demonstrate how the ASDCs approved with NPRR 1268 perform in actual operations. In addition, Staff believes that removing the constraint for ASDCs to aggregate to AORDC is a significant policy decision that is best addressed through a rulemaking. The ASDCs are one tool available to the Commission during the reliability standard assessment expected to start in January of 2026 per 16 TAC § 25.508. However, Staff agrees that stakeholders and ERCOT can continue to discuss this topic along with all the other open items remaining before RTC go-live so that robust proposals can be developed based on actual data sooner than later.

2024-1b	Adopt a Probabilistic/Stochastic Risk Methodology for the AS Plan	Support
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Staff Response: Staff agrees with this recommendation which was brought up by the IMM during the AS Study in Project No. 55845⁶. The *next steps* under Commission finding #5 states that: “ERCOT should develop a suitable probabilistic, forward-looking model, provide regular updates to TAC, and present options that can be incorporated no later than the 2027 AS Methodology.”

ERCOT has already developed a probabilistic model to determine quantities for ECRS and Non-Spin and incorporated it into the 2026 AS Methodology, which currently is going through the stakeholder process.

2024-2	Set Duration Requirements for ECRS and Non-Spin Reserve Service (NSRS) to One Hour	Disagree
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⁵ This issue was also publicly emphasized by Chair Gleeson at the November 2, 2024 open meeting during Project No. 55999 Biennial ORDC Report discussions.

⁶ Project No. 55845 Review of Ancillary Services, January 14, 2025, Commission Findings and Final Report.

Commission addressed this topic in Project No. 55845. The *next steps* under Commission finding 7d states that: “ERCOT and stakeholders should revisit duration requirements for ECRS and Non-Spin after RTC+B has stabilized.”

Staff Response: The Commission approved NPRR 1282, *Ancillary Service Duration under Real-Time Co-Optimization* at the July 31, 2025 open meeting.⁷ NPRR 1282 reduced duration requirements for ECRS to one hour; however, the four-hour duration requirement for Non-Spin was retained. At the open meeting, the Commission provided guidance to ERCOT to review the duration requirement for Non-Spin after enough data has been collected with RTC+B and not to delay the review until after DRRS is implemented.

2024-3	Implement Process to Mitigate Market Power at System and Zonal Levels	Neutral
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In this new recommendation the IMM suggests the implementation of a three-step market power mitigation framework to ensure competitive market outcomes. This three-step approach would assess whether: (1) a market participant possesses market power (*structural test*); 2. a market participant with market power has attempted to exercise market power via economic withholding (*behavioral test*); and (3) the attempt to exercise market power would have a material effect on price (*impact test*). If a market participant fails these three tests, a competitive offer would be substituted for the original offer submitted in the real-time market.

Staff Response: Staff believes effective assessment of this recommendation requires more data analysis from the IMM as well as stakeholder feedback. Especially the implementation complexity must be fully understood. Staff also needs to evaluate whether this would require a rulemaking. Staff is planning to ask stakeholders for comments for this recommendation in the Small-Fish rulemaking Project No. 58379 *Review of §25.504 - Wholesale Market Power in the ERCOT Region*.

2024-4	Establish Real-Time Offer Requirements, Penalties, and Proxy Pricing	Support partially
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In the ERCOT market, QSEs are responsible for submitting offer curves that specify the prices and quantities at which their resources are willing to provide energy and AS. If a QSE submits an incomplete offer curve, there is no penalty. Instead, ERCOT substitutes a proxy offer to maintain a solvable dispatch solution. These proxy offers are set at:

- \$1,500 for Intermittent Renewable Resources (IRR) (energy offers)
- The system-wide offer cap (SWCAP) for non-IRRs (energy offers)

⁷ Project No. 54445 Review of Protocols Adopted by the Independent Organization, July 31, 2025, Final Order.

- The lesser of \$2,000 or the ASDC price at the 95% procurement level (AS offers)⁸

According to the IMM, with the upcoming implementation of RTC+B, the potential impacts of incomplete offers could become more significant. Per the IMM, incomplete AS offers limit access to available reserves and result in steep proxy offers that inflate scarcity pricing and distort dispatch. As a result, QSEs may either intentionally withhold offers or mistakenly fail to submit complete offers.

In response to these concerns, NPRR 1269 proposed that any incomplete AS offer should be replaced with a proxy offer equal to the lesser of \$2,000 or the ASDC price at the 95% procurement level. The IMM concludes that this methodology still risks setting AS clearing prices significantly above competitive levels, resulting in unnecessary market costs. To address this issue, the IMM recommends four specific suggestions:

1. Proxy offers should reflect competitive pricing for energy and ancillary service products.
2. ERCOT should make its must-offer requirement explicit for all QSEs.
3. Penalties should be imposed on QSEs that fail to submit complete offers.
4. Offers constructed by proxy should be flagged in SCED data to allow continuous evaluation of their effect on market performance.

Staff Response: This topic was debated at length during discussions around NPRR 1269 and Staff's opinion was aligned with the IMM. However, multiple market participants and ERCOT stated that this has not been an issue for the energy offers; proxy offers have been rare and did not set the clearing prices. Instead, many stakeholders supported the IMM monitoring this issue of proxy offers and reporting regularly to TAC to publicly identify any resource that fails to submit complete offers. Therefore, Staff agrees and supports the recommendation 4 (above) so the IMM can report if this is a significant issue that would require implementation of one or more of the other three recommendations listed above.

2023-3	Improve the procurement and deployment of ECRS	Disagree
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Staff Response: The IMM states that this issue will be largely resolved with the implementation of RTC+B. Staff does not see any need to put any efforts in this recommendation with a pending RTC+B go live date of December 5, 2025.

2023-4	Improve the pricing and offer requirements of the Firm Fuel Supply Service	Neutral
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⁸ Proxy offer levels for AS were added with NPRR 1269, which was approved by PUCT on May 15, 2025.

The Commission approved Firm Fuel Supply Service (FFSS) in 2022 to pay a subset of dual-fuel generators to purchase fuel that generators can store on site for exclusive use during deployment. The Commission approved NPRR 1169 on June 29, 2023, which expanded the potential pool of FFSS resources (FFSSRs) by adding additional avenues through which a resource may qualify for FFSS. These include possessing good title sufficient natural gas in an offsite storage facility; having a firm gas storage agreement for the offered generation resource; having entered into a firm transportation agreement on an FFSS qualifying pipeline; and satisfying several ongoing compliance obligations.

Per the IMM, ERCOT deployed FFSSRs over five consecutive days in January 2024 during a winter weather watch due to concerns about potential fuel supply disruptions. Across these five days, only one day exhibited reserve levels or pricing outcomes that indicated relatively tight conditions, and it remains unclear whether any observed impacts were directly caused by disruptions to the natural gas distribution network. The IMM concludes that the lack of clear and objective deployment criteria raises concerns about the efficient use of FFSSRs and the resulting costs imposed on the market. To address these concerns, the IMM recommends that ERCOT:

1. Require FFSSRs to offer energy at prices that accurately reflect the true marginal cost of using firm fuel.
2. Include the capacity of deployed FFSSRs in the online reserve calculation until RTC is implemented.

Staff response: Staff does not see any need to put any efforts into the second recommendation above, because with a pending RTC go-live date of December 5, 2025, any changes would only be effective for 20 days after FFSS contract period begins on November 15, 2025.

On the overall evaluation of the FFSS and how it can be improved, including the deployment criteria, Staff encourages the IMM to participate in Project No. 58434 *Rulemaking for the FFSS* so that this issue can be wholistically and transparently evaluated by all stakeholders.

2022-1	Implement a multi-interval real-time market (MIRTM)	Neutral
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The IMM states that ERCOT's real-time market currently only considers a single interval where dispatch instructions are optimized based on forecasted system conditions five minutes into the future. This limited forward-looking window limits the market's ability to efficiently dispatch and coordinate resources, a shortcoming which could be further exacerbated as the penetration of intermittent renewables and energy storage resources increases in ERCOT. As a solution the IMM recommends implementing a MIRTM which would optimize dispatch across at least six intervals (thirty minutes) and offer several important benefits:

- It would allow more efficient scheduling of ESRs by considering the value of preserving or adjusting state of charge over multiple future intervals.
- It would better manage the utilization of NSRS, much of which is provided by offline resources, by enabling the real-time market to commit these thirty-minute reserves units more efficiently.
- It would help address the sharp evening net load ramp caused by increasing solar entry, often referred to as the "duck curve," by pre-positioning slow-ramping resources earlier and reducing unnecessary reliance on expensive ESRs and quick-start units.

For these reasons, the IMM concluded that—especially as ERCOT attracts more IRRs and ESRs—a MIRTM would allow the market to manage increasing fluctuations in net load more efficiently and reliably and should be prioritized after RTC+B.

Staff Response: In 2016, ERCOT evaluated the potential benefits of a MIRTM and recommended not to move forward because the costs of implementation were greater than the projected benefits. The IMM did not provide any new study or simulation results to support its conclusion that MIRTM benefits will be higher in the future. As pointed out by the IMM, ERCOT filed its final MIRTM report in Project No. 41837 in 2017 and concluded that the cost to ERCOT to implement would be approximately \$20M-\$25M while the benefits, calculated as a reduction in production costs, would be less than \$200,000.⁹ The Commission chose to prioritize real-time co-optimization instead. However, Staff now believes that a new evaluation of MIRTM is justified based on the latest stakeholder discussions and disagreements over the AS methodology, duration requirements, and ERCOT's costly reduced risk tolerance.

2021-1	Eliminate the "small fish" rule	Support
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Under 16 TAC § 25.504(c), which the Commission adopted in 2006, generation resource owners with less than five percent of the capacity installed in ERCOT market are deemed not to have "ERCOT-wide market power." The IMM stated that the Commission adopted this rule before ERCOT had an effective shortage pricing mechanism under the ORDC and intended the "small fish" to submit high offers (offers significantly above the marginal cost of production) to produce high prices during shortage conditions. Therefore, introduction of the ORDC made this rule unnecessary. The IMM has observed economic withholding by small participants, which has resulted in some instances of inefficient pricing. The IMM concluded that the Commission should not allow withholding by any pivotal supplier, which occurs when market-wide conditions are tight or when the system is ramp constrained, and recommended elimination of the rule.

⁹ *PUCT Review of Real Time Co-Optimization in the ERCOT Region*, Project No. 41837, Report on the Multi-Interval Real-Time Market Feasibility Study (Apr. 6, 2017).

Staff Response: Staff agreed with this recommendation in its response to the 2023 SOM. Staff opened Project No. 58379 *Review of §25.504 - Wholesale Market Power in the ERCOT Region* on July 14, 2025 to modify the small fish rule. Staff expects to adopt the new rule by the end of this year, absent any shifting of priorities.

2021-2	Implement an uncertainty product	Disagree
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The IMM recommended in its 2021 SOM report that ERCOT should implement a longer-term reserve product that is procured in the day-ahead market and provided by resources that can start in two to four hours (or faster) when uncertainties manifest that may threaten reliability. In 2023, HB 1500 directed ERCOT to implement such a product, now referred to as Dispatchable Reliability Reserve Service (DRRS). Currently DRRS is actively being discussed in the ERCOT stakeholder process. The IMM disagrees with ERCOT's proposed DRSS design and has recommend the following two design principles instead:

1. DRRS should be capable of being provided by both online and offline resources. Allowing both types of resources to participate ensures ERCOT can secure reserves at the lowest cost and avoids economically inefficient withholding from the energy market.
2. DRRS should be co-optimized with energy and other ancillary services in both the day-ahead and real-time markets, with shortages priced through a sloped demand curve. Co-optimization ensures that DRRS procurement reflects its marginal value, supports efficient price formation, and sends appropriate investment signals for resource adequacy.

The IMM concludes that, if designed correctly, DRRS should reduce reliance on costly out-of-market actions and lower reserve procurement costs compared to holding excessive 30-minute reserves. A primary challenge stems from the statutory requirement that DRRS procurement offset RUC commitments, and this aspect complicates RUC process. To address this, The IMM proposes that ERCOT develop a faster RUC process, with a 4-5-hour study horizon. Their analysis suggests that such a process could execute in as little as 5 minutes and could be run every 15 minutes, or as needed at operator discretion. A faster RUC process would allow ERCOT to incorporate offline DRRS awards into commitment decisions in near real-time.

Staff Response: Although some details of the uncertainty product recommended by the IMM and DRRS are not exactly the same, the need for this type of product is largely addressed by DRRS and Staff does not recommend development of an additional uncertainty product at this time. Staff expects that the IMM will continue to participate in the development of the DRRS in the stakeholder process. In addition, a Commission finding and next steps 6 in Project No. 55845 *AS Study* states:

Finding – DRRS is one of the tools in the market design toolbox that may assist in meeting the ERCOT reliability standard and need not be specially designated as a tool for resource adequacy to be utilized for this purpose in the future.

Next Steps – ERCOT should design DRRS to ensure that it meets its primary role as an ancillary service to mitigate operational risks in real time and reduce the use of Reliability Unit Commitment. **ERCOT should also design flexibility into the mechanism for procuring DRRS so that, if the Commission determines that the price for or quantity of DRRS should be modified in the future to provide targeted additional generator revenue, this could be done without requiring significant additional system changes and without creating artificial scarcity or other detrimental effects on the market.** ERCOT and stakeholders may have additional ideas to achieve this outcome that merit continued examination.

Therefore, Staff hopes the IMM will provide meaningful solutions that address how DRRS can be used effectively for dual purpose (AS and Resource Adequacy) to achieve this policy goal.

2020-3	Reconfigure Load Zones to Reflect Prevailing Congestion Patterns	Neutral
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According to the IMM, current load zone groupings determined in 2003 no longer adequately reflect congestion patterns. Accordingly, congestion within several zones has grown more severe, especially in the South and West zones. The IMM provides example of this disparity resulting in distorted pricing signals that can lead to inefficient consumption and siting decisions. For example, the Panhandle consistently experiences lower-than-average nodal prices due to a concentration of renewable generation. In contrast, the Permian Basin, part of the same load zone, faces significantly higher nodal prices driven by oil and gas-related demand growth. Yet, despite having very different cost and congestion profiles, both areas face the same zonal price for settlement. Therefore, the IMM continues to recommend that ERCOT re-evaluate the current load zone configuration to reflect these evolving congestion patterns. The IMM also provides a specific methodology to redefine load zones based on geographic coordinates and historical price data.

Staff Response: Staff agrees that locations of load and generation have changed significantly since 2003. Stakeholders have discussed this issue, specifically at the Congestion Management Working Group, over many years. Staff is still not convinced—based on anticipation of continued significant load growth, new resource interconnections stemming from the Texas Energy Fund, and new transmission build out—that load zone definitions can be studied or even modeled correctly while so many changes to the ERCOT topology are ongoing. Perhaps once the region-wide reliability plans are established and TEF-funded resources are known, this issue may be re-evaluated as a longer term, economic efficiency objective.

2020-4	Implement a Point-to-Point Obligation bid fee	Neutral
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Since 2020, the IMM has stated that ERCOT had experienced numerous delays in running and posting the results of the day-ahead market over the previous several years. The IMM suggested that any delay to DAM is disruptive and may create unnecessary risk for market participants.

ERCOT's analysis pointed to a significant increase in bids for point-to-point (PTP) obligations as the root cause. This is expected as large increases in PTP transactions increases the complexity of the optimization and hence increases the time required for the software to solve. Currently, ERCOT charges no fee for PTP bids, which allows some participants to submit numerous bids that are unlikely to clear and provide little value to the market.

The IMM concluded that, consistent with cost causation principles, applying a small fee to the PTP bids would incentivize participants to submit fewer bids that are more valuable and more likely to clear, resulting in a more efficient allocation of day-ahead market software resources. However, the IMM did not suggest a specific bid fee amount or range that could accomplish this goal effectively nor did the IMM assess any secondary impacts of the fee on the liquidity of the market or creating barrier to entry.

Staff Response: Staff supports accurate cost causation and efficient allocation of limited resources. In the light of recent NPRRs¹⁰ submitted by ERCOT to address this issue Staff recommends that the IMM monitor and reevaluate this after those improvements are fully implemented.

2019-2	Price ancillary services based on the shadow price of procuring each service	Support
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Ancillary services can be provided by load (controllable and non-controllable) or generation resources. ERCOT's AS procurement process limits the quantities it procures from certain types of load resources. However, there is only one market clearing price for the same main ancillary service regardless of different procurement characteristics of the sub types.¹¹ This results in a surplus of some of the subtype service offered into the market. In a well-functioning market, any surplus of any service is expected to drive clearing prices down; however, this has not been observed. Therefore, the IMM concluded, since 2019, that the clearing price of all ancillary services should be based on all the constraints used to procure the services.

Staff Response: Staff agrees. In addition, the Commission finding under Topic 7c of the AS Study in Project No. 55845 states:

Finding – Creating separate clearing prices for different resource types that provide different sub-types of the same AS will likely benefit the ERCOT market, but it is not currently a top priority, given other market improvement efforts in-flight.

Next Steps – ERCOT and stakeholders should consider pricing AS subtypes separately after RTC+B has stabilized.”

¹⁰ NPRRs 1261,1288,1289.

¹¹ For example, RRS is split into three subcategories: Primary Frequency Response, Under Frequency Response, and Fast Frequency Response. However, all subtypes are paid the same single clearing price regardless of surplus in any of them. Similarly, ECRS can be provided by non-controllable load resources (manually deployed) and peakers (SCED deployed); both resources are paid the same price.

The more homogenously each service is defined, the more efficient pricing will follow because suppliers of resources with similar characteristics will compete against each other to provide the requested service. However, redesigning any AS will require significant dedication of resources by ERCOT and stakeholders. Therefore, this should only be considered after major market design changes, including DRRS and RTC+B, are completed and a steady state is achieved.

2015-1	Modify the allocation of transmission costs by transitioning away from the 4 Coincident Peak method	Support
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The IMM has included this recommendation in its SOM report since 2015, and the IMM continues to recommend that the Commission change the allocation of transmission costs to better reflect the true drivers for new transmission build and adjust a process that currently does not allocate cost equitably to all loads. The IMM further claims that, during that time, billions of dollars have been spent on developing 4CP forecasting tools and installing behind-the-meter generation, creating vested interests in maintaining the current structure. Per the IMM, these investments do not change the fact that 4CP no longer allocates costs in a way that reflects how the transmission system is built or used.

Staff response: Staff agreed with this recommendation last year and recommended revisiting 4CP this Fall in the absence of legislative action. Since then, SB6 has been passed, and Commission has opened Project No. 58484, *Evaluation of Transmission Cost Recovery*. Staff encourages the IMM to participate in that project.

Conclusion

Staff appreciates the IMM's recommendations over the years, which have focused on long-term market economic efficiency. The Commission must strike a delicate balance between dedicating ERCOT and stakeholder resources to implement multiple market design projects while others are in flight. The Commission should also consider the incremental efficiencies gained by some of these recommendations. Staff recommends the Commission focus attention on potential changes for which the cost-benefit analysis is particularly favorable and aligns with the policy goals, including the improvement of resource adequacy.

Finally, the Commission may wish to explicitly consider those recommendations that Staff either does not support or proposes that additional analysis or time is needed to provide clarity to the IMM, ERCOT, and the market about what changes, if any, it believes are warranted.