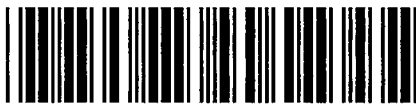




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DOCKET NO. 51812

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BEFORE THE PUBLIC UTILITY COMMISSION

OVERSIGHT OF THE ELECTRIC
RELIABILITY COUNCIL OF TEXAS

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PUBLIC UTILITY COMMISSION
OF TEXAS

**PETITION TO DIRECT ERCOT TO IMPLMENT RECOMMENDATIONS OF
THE INDEPENDENT MARKET MONITOR CONCERNING
ANCILLARY SERVICES**

COMES NOW, Young Energy, LLC dba Payless Power and requests that the Public Utility Commission (“Commission”) direct the Electric Reliability Council of Texas (ERCOT) to immediately implement the recommendations of the Independent Market Monitor (IMM) concerning ancillary services. In support thereof, Petitioner shows as follows:

I.

On March 1, the February 21, 2021, the IMM (Potomac Economics) filed the attached letter with the recommendation that the Commission adopt its two recommendations therein and direct ERCOT to “resettle the day-ahead market to cap the AS prices first, then initiate the ‘failure to provide’ settlement.”

II.

The Commission has ample statutory authority to implement the IMM’s recommendations. PURA §39.151(d) gives the Commission complete authority over ERCOT. Also, notably, PURA §35.004(e) provides:

The commission shall ensure that ancillary services necessary to facilitate the transmission of electric energy are available at reasonable prices with terms and conditions that are not unreasonably preferential, prejudicial, discriminatory, predatory, or anticompetitive. In this subsection, ‘ancillary services’ means services necessary to facilitate the transmission of electric energy including load following, standby power, backup power, reactive power, and any other services as the commission may determine by rule.

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The Commission can also rely on its Substantive Rule 25.501(a) which provides that ERCOT determines market clearing prices of energy and other ancillary services in the ERCOT market **unless otherwise directed by the Commission.**

WHEREFORE, PREMISES CONSIDERED, Payless Power requests that the Commission order ERCOT to implement the recommendations of the IMM in its attached letter and in the manner suggested by the IMM.

Respectfully Submitted,

Mark Foster

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EXHIBIT A

Letter from Independent

Market Monitor

Potomac Economics, Ltd.
7620 Metro Center Drive
Austin, Texas 78744



Telephone: 512-879-7971
Facsimile: 703-383-0796

March 1, 2021

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PUBLIC UTILITY COMMISSION
REGISTRATION DIVISION

Public Utility Commission of Texas
Chairman DeAnn T. Walker
Commissioner Arthur C. D'Andrea
Commissioner Shelly Botkin
1701 N. Congress Avenue
Austin, Texas 78711

Re: PUC Project No. 51812, Issues Related to the State of Disaster for the February 2021 Winter Weather Event

Dear Chairman and Commissioners:

As the Independent Market Monitor (IMM) of the Electric Reliability Council of Texas (ERCOT) wholesale electricity market for the Public Utility Commission of Texas (Commission), Potomac Economics closely monitored real-time market performance throughout the recent winter weather event and provides the following recommendations related to ancillary services in light of certain market outcomes.

Recommendation 1: For operating days February 15 through February 20, 2021, reprice all day-ahead ancillary services (AS) clearing prices to cap them at the System-Wide Offer Cap (SWCAP) of \$9,000 per MWh.

When there are insufficient offers to clear the entire AS Plan (Section 4.2.1.1 of the ERCOT Nodal Protocols), ERCOT uses very high penalty costs to ensure that the day-ahead market algorithm can clear as much of the AS Plan as possible. A pricing run is then used to remove those penalty costs prior to publishing the prices in accordance with the Other Binding Document (OBD) Methodology for Setting Maximum Shadow Prices for Network and Power Balance Constraints. Between February 15 and February 20, the scarcity of offers, generator constraints, and opportunity costs applied during this pricing run resulted in unexpected clearing prices higher than the SWCAP in effect on those days. The IMM recommends that these prices be capped at the SWCAP of \$9,000 per MWh.

Capping the AS Market Clearing Prices for Capacity (MCPC) for each AS for those days will produce outcomes more consistent with economic market design principles. Since reserves are procured to reduce the probability of losing load, such principles dictate that the value of reserves cannot not exceed the value of lost load (VOLL), which is equal to the SWCAP of \$9,000.

Further, to avoid this unintended outcome in the future, the IMM recommends that the language on page 32 of Appendix 2 of the OBD cited above be changed to include the following:

Notably however, the AS penalty factors are not used to set the MCPC for each Ancillary Service. Instead, the infeasible AS requirement amounts are reduced to the feasible level and the DAM clearing is rerun so that the price of the last AS awarded MW sets the MCPC for the each Ancillary Service. In no case shall the MCPC for each Ancillary Service exceed the System-Wide Offer Cap (SWCAP) in effect for the relevant Operating Day.

Recommendation 2: For operating days February 14 through February 19, 2021, invoke the “failure to provide” settlement treatment for all AS that were not provided in real time.

There were a number of instances during the operating days outlined above in which AS was not provided in real time because of forced outages or derations. For market participants that are not able to meet their AS responsibility, typically the ERCOT operator marks the short amount in the software. This causes the AS responsibility to be effectively removed and the day-ahead AS payment to be clawed back in settlement. However, the ERCOT operators did not complete this task during the winter event, and therefore the “failure to provide” settlements were not invoked in real time.

Removing the operator intervention step and automating the “failure to provide” settlement was contemplated in NPRR947: Clarification to Ancillary Service Supply Responsibility Definition and Improvements to Determining and Charging for Ancillary Service Failed Quantities; however, the NPRR was withdrawn in August 2020 because of the system cost, some complexities related to AS trades, and the implementation of real-time co-optimization.

Invoking the “failure to provide” settlement for all AS that market participants failed to provide during the operating days outlined above will produce market outcomes and settlements consistent with underlying market principles. In this case, the principle is that market participants should not be paid for services that they do not provide. Whether ERCOT marked the short amount in real-time or not should not affect the settlement of these ancillary services.

In the short term, the IMM recommends that the language in Section 6 of the ERCOT Nodal Protocols below be modified to allow ERCOT to determine these quantities after-the-fact. The IMM further recommends that the “failure to provide” settlement treatment for AS be automated.

6.4.9.1.3 Replacement of Ancillary Service Due to Failure to Provide

- (1) ERCOT may procure Ancillary Services to replace those of a QSE that has failed on its Ancillary Services Supply Responsibility through a Supplemental Ancillary Services Market, as described below in Section 6.4.9.2, Supplemental Ancillary Services Market. A QSE is considered to have failed on its Ancillary Services Supply Responsibility when ERCOT determines, in its sole discretion, that some or all of the QSE’s Resource-specific Ancillary Service capacity either will not be available in Real

Time, or was not provided in Real Time. This Section does not apply to a failure to provide caused by events described in Section 6.4.9.1.2, Replacement of Infeasible Ancillary Service Due to Transmission Constraints.

In the event the Commission adopts both of the recommendations contained in this letter, ERCOT should complete them in order: resettle the day-ahead market to cap the AS prices first, then initiate the “failure to provide” settlement.

As always, the IMM stands ready to address any questions the Commission may have regarding these recommendations or the outcomes in the ERCOT wholesale market.

Sincerely,

Carrie Bivens

Carrie Bivens
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