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Public Utility Commission of Texas

Memorandum

TO: Interested Persons

FROM: David Smeltzer, Director of Rules and Projects

DATE: March 7, 2022

RE: Project No. 53191, *Reorganization of §25.505*

At the February 25, 2022, open meeting, Commission Staff noted that the primary purpose of this rulemaking project is to split the preexisting §25.505 into three separate rules and requested that commenters save substantive policy suggestions for further modifications to the rule for future rulemaking proceedings. The purpose of this request was to allow staff to efficiently complete this rulemaking project, allowing the new rule sections to be reopened as necessary. Subsequently, Commission Staff has received several requests for clarification on the scope of this rulemaking project.

Commission Staff sincerely appreciates stakeholders' efforts to appropriately narrow their comments in this project. Ultimately, the scope of changes made in any rulemaking project is up to the discretion of the commissioners, but as the rulemaking proposal in this project was not presented in redline form, Commission Staff provides this clarification on the substantive changes proposed in this rulemaking project. Commission Staff advises commentors to limit their comments to these issues.

- **Reorganization of §25.505.** The proposal splits §25.505 into three new rule sections. Each subsection of existing §25.505 was relocated to new §25.505, §25.506, or §25.509. A few subsections of general applicability, such as the definitions or requirements that ERCOT utilize a stakeholder process, were placed multiple sections.
- **Definition of 'Generation entity.'** The definition of generation entity, proposed in §25.505 and §25.509, was modified to provide clarity and mirror the definition of "Load entity."

Generation entity -- an entity that owns or controls a generation resource. A generation resource is a generator capable of providing energy or ancillary services to the ERCOT grid and that is registered with ERCOT as a generation resource.

- **Biennial ORDC Report.** Phase I of the Commission’s market design blueprint requires “a report from ERCOT to the Commission due November 1st of every even numbered year analyzing the efficacy, utilization, related costs and contributions of the ORDC to grid reliability in ERCOT.” Accordingly, the following new subsection was added to §25.509:

(8) Operating Reserve Demand Curve (ORDC) report. ERCOT must publish, by November 1 of every even numbered year, a report analyzing the efficacy, utilization, related costs, and contribution of the ORDC to grid reliability in the ERCOT power region.

- **Development and Implementation.** Each of the three new sections contains an identical version of a development and implementation subsection from existing §25.505. The proposal modifies this language to reflect interactions that take place between ERCOT and Commission Staff.

Development and implementation. ERCOT must use a stakeholder process, in consultation with commission staff, to develop and implement rules that comply with this section. Nothing in this section prevents the commission from taking actions necessary to protect the public interest, including actions that are otherwise inconsistent with the other provisions in this section.

- **Decouple value of lost load from the value of the system-wide offer cap.** Phase I of the Commission’s market design blueprint indicates the “system-wide offer cap and [the value of lost load] will be decoupled.” Under existing §25.505(g)(6)(E), “[t]he value of the lost load will be equal to the value of the system-wide offer cap.” Subsection (g) of the existing rule is proposed to be relocated to §25.509(c). The language from existing §25.505(g)(6)(E) was deleted from proposed §25.509(c).