



## **Filing Receipt**

**Filing Date - 2023-07-19 09:36:07 AM**

**Control Number - 53298**

**Item Number - 40**



TAYLOR  
2705 West Lake Dr.  
Taylor, Texas 76574  
T: 512-248-3000  
F: 512-225-7079

AUSTIN  
8000 Metropolis Dr.  
Bldg. E, Suite 100  
Austin, Texas 78744  
T: 512-225-7000  
F: 512-225-7079

ercot.com

July 19, 2023

Public Utility Commission of Texas  
Interim Chairman, Kathleen Jackson  
Commissioner Will McAdams  
Commissioner Lori Cobos  
Commissioner Jimmy Glotfelty  
1701 N. Congress Avenue  
Austin, TX 78711

Re: PUC Project No. 53298, *Wholesale Electric Market Design Implementation*; PUC Project No. 54444, *CY 2023 Reports of the Electric Reliability Council of Texas*; and PUC Project No. 55156, *Implementation Activities 88th Legislature*.

*ERCOT Response Letter to June 29, 2023 PUCT Open Meeting on Market Design Work*<sup>1</sup>

Dear Chairman and Commissioners:

Based on discussions at the Public Utility Commission of Texas' (PUCT/Commission) June 29, 2023 Open Meeting, Electric Reliability Council of Texas, Inc. (ERCOT) submits this response for accomplishing certain future market design work.<sup>2</sup> This response is meant to assist the Commission in mapping out potential next steps on these market design features. ERCOT expects to supplement this response over time based upon feedback from the Commission and stakeholders, and the changing nature of priorities. ERCOT will continue to work with Commission staff on any proposed recommendations.

ERCOT is also preparing a detailed status update for the Blueprint for Wholesale Electric Market Design, issued by the Commission in Project No. 52373, *Review of Wholesale Electric Market Design*, to align the new initiatives regarding market design from the 88th Legislature with the Blueprint. The items detailed in this response are in addition to ERCOT's current work on the real-time co-optimization (RTC) project<sup>3</sup> and the reliability standard.<sup>4</sup>

This response focuses on three market design features with ERCOT recommendations: (1) Operating Reserve Demand Curve (ORDC) changes as recommended by the ERCOT Board of Directors (ERCOT Board); (2) Dispatchable Reliability Reserve Service (DRRS); and (3)

---

<sup>1</sup> This filing is submitted less than seven days in advance of the July 20, 2023 Open Meeting so that the Commission will have the most recent information available for its consideration at that meeting.

<sup>2</sup> See Item No. 41, June 29, 2023 Open Meeting Agenda (requesting ERCOT come back to July 20, 2023 Open Meeting with a roadmap for accomplishing remaining market design work associated with Texas House Bill (HB) 1500).

<sup>3</sup> The RTC project is expected to be delivered late 2026 or early 2027.

<sup>4</sup> PUC Project No. 54584, *Reliability Standard for the ERCOT Market*.

Performance Credit Mechanism (PCM). At a minimum, these market design features will be necessary to enhance the Energy Only market and achieve a reliability standard once established by the Commission.

### **(1) Operating Reserve Demand Curve (ORDC) Changes**

ERCOT proposes to implement an ORDC floor of \$20 per MWh when reserves are between 3,000 MW and 6,500 MW, and a \$10 per MWh floor when reserves are between 6,501 MW and 7,000 MW. This ORDC modification was endorsed by the ERCOT Board at its April 2023 meeting in response to the Commission’s request for a bridge solution.<sup>5</sup> This modification provides additional revenues, primarily to dispatchable Generation Resources, at times when operating reserves are getting low. This change incentivizes earlier self-commitment and potentially reduces the need for Reliability Unit Commitment (RUC). In addition, the added revenue to dispatchable Generation Resources could reduce risk of early retirements and help maintain reliability.

*ERCOT Implementation Timeline – Estimate a 4-month delivery timeline for ORDC changes which includes appropriate Revision Requests approved by ERCOT Board and Commission. ERCOT requests Commission direction to move forward with the ORDC changes as soon as practicable. For example, if the Commission provided direction in August, then ERCOT anticipates having appropriate Revision Requests considered at the October 17, 2023 ERCOT Board meeting.*

### **(2) Dispatchable Reliability Reserve Service (DRRS)**

Texas House Bill (HB) 1500 from the 88th Legislature requires ERCOT to develop an ancillary service with performance characteristics as defined within new Subsections (d) and (e) of Public Utility Regulatory Act (PURA) § 39.159. DRRS resources are required to be (1) available to perform within 2 hours of being called upon, and (2) able to operate for a minimum of 4 hours. The statute also requires a commensurate reduction in RUC once DRRS is procured daily. The combined benefit of the ORDC change noted above coupled with DRRS further supports the goal of reducing RUC.

*ERCOT Implementation Timeline – ERCOT has scheduled preliminary design workshops beginning on July 27, 2023. DRRS is required to be delivered by December 1, 2024. Consistent with the Commission’s direction at the June 29, 2023 Open Meeting, ERCOT will move forward with stakeholder discussions and appropriate Revision Requests to implement DRRS.*

### **(3) Performance Credit Mechanism (PCM)**

On January 19, 2023, the Commission adopted the performance credit mechanism, and directed ERCOT to “delay implementation of the PCM until such time as the 88th Legislature has

---

<sup>5</sup> See Item No. 33, *ERCOT’s Report and Recommendation on Bridge Solution* (dated April 21, 2023) (providing ERCOT Board resolution and supporting documentation to comply with Commission order instructing ERCOT “to evaluate bridging options to retain existing assets and build new dispatchable generation until the PCM can be fully implemented”); PUC Project No. 53298, *Wholesale Electric Market Design Implementation*.

had an opportunity to render judgment on the merits of the PCM.” The Legislature passed HB 1500, which provided guidance for moving forward with PCM provided certain “guard-rails” were maintained.

*ERCOT Implementation Timeline – As previously reported, PCM is expected to take 2.5 to 3 years to implement following the approval of PUC Substantive Rules and ERCOT Protocols. The Commission posed numerous questions related to the design of the PCM when issuing the order in support of PCM in January 2023. In the short term, ERCOT recommends beginning a series of workshops between now and the end of 2023 to address these important questions with Commission staff and stakeholders including which requirements should reside in the PUC Substantive Rules versus the ERCOT Protocols. The statute requires an additional cost benefit analysis to be performed prior to moving forward with implementing PCM. Further, ERCOT Protocols will need to be converted into requirements to then implement the required system changes. ERCOT is evaluating the additional requirements put forth in HB 1500 and whether it changes the implementation timeline.*

### Conclusion

ERCOT will continue to provide updates to the Commission on these items as well as all relevant items from the 88th Legislature. There is a lot of work to accomplish between now and the 89th Legislature to support long-term reliability. ERCOT looks forward to working with the Commission and stakeholders and stands ready to discuss additional expectations at the next Open Meeting.

Respectfully submitted,

/s/ Kenan Ögelman

Kenan Ögelman  
Vice President, Commercial Operations  
(512) 248-6707  
kenan.ogelman@ercot.com