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SIERRA CLUB

LONE STAR CHAPTER

PROJECT NO. 54445

CY 2023 Review of Rules

Adopted by the Independent Organization

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PUBLIC UTILITY

COMMISSION

OF TEXAS

January 5th, 2024

COMMENTS OF SIERRA CLUB ON NPRR 1186

Submitted by Cyrus Reed, Legislative and Conservation Director,
cyrus.reed@sierraclub.org

NPRR 1186 - Improvements Prior to the RTC+B Project for Better ESR State of Charge Awareness, Accounting, and Monitoring - and to a lesser extent NPRR 1209 (Board Priority - State Of Charge Ancillary Service Failed Quantity Allocations under NPRR1149) - are important proposed NPRRs supported by ERCOT, its board of directors and many stakeholders. Sierra Club, Lone Star Chapter, as a member of ERCOT, has not commented formally in these NPRRs to this point but does share concerns that portions of NPRR 1186 create an unfair burden to energy storage resources as well as QSEs that manage ESRs over the next several years that could undermine resource adequacy. While we are a voting member on ROS, it is important to note that NPRR 1186 did not go through ROS as a voting item, and was put on a different, quicker path toward ERCOT Board approval.

While we understand that NPRR 1186 is temporary as it would be replaced once co-optimization is implemented through implementation of NPRR 1204 - Considerations of State of Charge with Real-Time Co-Optimization Implementation - we wanted to express our concern with a portion of the NPRR. Specifically, we agree with comments submitted recently by Joint Commenters (Eolian, LP, Plus Power, LLC, Spearmint Renewable Development Company, LLC, and Octopus Energy, LLC) in December that recommended removal of all of Protocol Section 8.1(4) prior to Commission approval of NPRR 1186, and that NPRR 1209 in its current form should also not move forward.

We fully understand the concerns that ERCOT has expressed with regard to state of charge and the ability of electric batteries to meet ancillary service obligations, but we believe that proposed Protocol Section 8.1(4) in NPRR 1186, creates an obligation for a QSE with an ESR with an Ancillary Service Resource Responsibility to meet and maintain a specific SOC threshold even if the ESR is not dispatched, and even if the ESR is dispatched and provides its Ancillary Service Resource Responsibility. This means that even an ESR doing exactly what it is intended to do could be in violation of the ERCOT protocols, simply because it did not meet these specific SOC requirements.

We also carefully reviewed the ERCOT presentation on NPRR 1186 submitted on January 4th, including an analysis of four days when some ESRs failed to meet their ancillary service obligations, but are not convinced this analysis shows the need for the SOC requirements found in Protocol Section 8. 1 (4). Indeed, the analysis found shows that on two of the four days, a small number of ESRs and MWs (roughly 3% of the total) failed to meet their specific obligations, but the analysis found that traditional generators that also were providing ancillary services during those challenging hours had slightly higher rates of failure. Indeed, the ERCOT analysis seems to confirm the concerns of the joint commenters - even though a small percentage of ESR resources failed to completely meet their obligations - a much larger percentage of those resources would have been in technical violation of 1186 had it been in effect at the time. Thus, as an example, while no ESRs were found to be in violation of providing ancillary services on 8/30 in Appendix A, 35 ESRs would have violated the SOC provisions found in NPRR 1186 had they been in effect. According to ERCOT, on this day, " 35 ESRs would have failed to meet the NPRR 1186 SOC requirements at some point during this period, with a maximum of 28 ESRs failing at any one time. 42.7% of intervals had at least 1 unit below the SOC requirement. In aggregate, SOC was short for several intervals at the top of the hours of 19:00 through 22:00."

In a very real sense what this means is that resources that provided exactly the amount of MWs they were bidding into the market would have been found to be in non-compliance on that day. The impact of this is that many resources would choose not to provide resources to the market in the very times that it is needed.

While we are in full support of better reporting of state of charge, and both ERCOT and the PUCT having the ability to enforce existing protocols to bring ESRs (and other resources) into compliance that fail to provide the ancillary services that they are required to meet, Section 8.1 (4) creates an unreasonable threshold of performance that will only decrease the adequacy and reliability of our market. We would urge the

Commission to remove this part of NPRR 1186, and also put the brakes on NPRR 1209. Ultimately, full implementation of co-optimization and NPRR 1204 will solve the issue, but in the meantime, better reporting, transparency and enforcement are adequate tools to assure that batteries comply with their obligations, not arbitrary state of charge requirements.

The Sierra Club appreciates the opportunity to submit these brief comments on this important issue.