



## **Filing Receipt**

**Filing Date - 2024-01-11 01:14:45 PM**

**Control Number - 54445**

**Item Number - 55**

**PROJECT NO. 54445**

<b>CY 2023 REVIEW OF RULES</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>ADOPTED BY THE INDEPENDENT</b>	<b>§</b>	<b>OF TEXAS</b>
<b>ORGANIZATION (NPRR 1186)</b>	<b>§</b>	

**SHELL ENERGY NORTH AMERICA (US) LP's RESPONSE TO PUBLIC NOTICE OF  
REQUEST FOR COMMENTS**

Pursuant to Public Utility Commission of Texas (Commission) procedural rules Shell Energy North America (US) LP ("Shell Energy"), files this response to public notice of request for comments filed on December 12, 2023, in Project No 54445, CY 2023 Review of Rules Adopted by the Independent Organization (NPRR 1186). The request indicates that parties should file comments by January 11, 2024, so this filing is timely. Shell Energy appreciates the opportunity to participate in these discussions.

**INTRODUCTION**

Shell Energy and its affiliates have been active in the ERCOT market as a power generation company, as a Retail Electric Provider (REP), as an independent power marketer, as a Qualified Scheduling Entity (QSE) as an end use consumer and has participated extensively in ERCOT committees and groups to strengthen market rules and competitiveness. With the history and the experience of our extensive involvement, and as an operator of ESR, Shell Energy offers these comments.

**COMMENTS**

Energy Storage Resources (ESR) are an essential type of dispatchable resource needed to ensure Texas' evolving grid reliability. ERCOT visibility into the current state of charge (SOC) and planned SOC of ESR is important for efficient and effective operation of the ERCOT grid. Having well defined protocols on SOC requirements and compliance requirements provide regulatory certainty on the expectations of the services being procured and ensure that market outcomes reflect the value of the services being provided. The version of NPRR 1186 for Commission's consideration accomplishes that while accommodating market participants' concerns. Hence, we respectfully request that the Commission approve NPRR 1186.

## **ERCOT Proposal Accommodates Market Participants' Concerns**

The current ERCOT version of NPRR 1186 is not overly restrictive. ERCOT has modified the original NPRR 1186 proposal to accommodate concerns raised by market participants. NPRR 1096 changed the definition of ERCOT Contingency Reserve Service (ECRS) to a 2-hour product and Non-Spinning Ancillary Service (NSRS) to a 4-hour product based on ERCOT's operational needs. Based on those definitions when a resource is selling the 4-hour NSRS product for any hour, irrespective of whether the resource is carrying NSRS for next hour or not, ERCOT expects the resource to be available to SCED to provide energy until hour-ending X+3, even if NSRS is deployed in hour-ending X.

To address Market Participants concerns about potential compliance requirements in the hours without ECRS and/or NSRS awards and concerns about limiting the effectiveness of QSE's ability to trade and/or rearrange Ancillary Service (AS) responsibility, NPRR 1186 was modified to change SOC compliance requirement to only the current operating hour. I.e., if an ESR has NSRS obligation for all 24 hours in a particular day, the resource will be compliant with the current version if it carries a SOC of 25 MWhs throughout the day. Even if NSRS is deployed in HE15, and the 25 MWhs is depleted in the first hour itself (i.e. with no SOC left) the resource will still be compliant as it can show that it is carrying NSRS in Controllable Load Resource (CLR) mode and is curtailing the charging of 25 MWhs. This is not overly restrictive. On the contrary, it could be said that it is less restrictive and practically changes the definition of ECRS and non-spin to a 1-hour product since the grid will only receive 25MWhs of energy from ESRs during the emergency even though ERCOT expects the NSRS resource to have 25MWhs to be available for SCED for 4 hours from deployment. Whether NSRS is a 1 hour or 4-hour product is dependent upon ERCOT's reliability needs. Whatever be the product requirement, the market clearing and compliance rules should reflect those requirements so that market outcomes can reflect the value of the services being provided. This will incentivize investment in resources that can meet those compliance requirements which will ensure that ERCOT's reliability needs will be met.

## **ERCOT Rule Needs Compliance and Enforcement Features**

Removing the compliance requirement is not advisable. The currently proposed NPRR 1186 would provide a guarantee to ERCOT and LSEs that the services being procured and paid for will be delivered. ERCOT has warned that adopting recommendations to remove all compliance requirements

from NPRR 1186 would remove all expectations concerning state of charge behavior. This would leave LSEs to take the full risk of non-performance through higher costs and decreased reliability.

A compliance framework would also be a benefit to ERS operators. NPRR 1186 provides regulatory clarity to ESR owners and operators concerning SOC requirements. Without this revision request there will be no clear SOC requirements in ERCOT protocols. Shell Energy, as a developer and operator of ESR, does not provide services it isn't certain it can deliver reliably. Having clear compliance requirements creates a level playing field with clear expectations for SOC requirements that are not subject to the interpretation of market participants so that entities will only provide services that ERCOT can be sure the entities can deliver reliably. We want to know that we are providing services into a market where our competition is held to the same compliance standard.

### **Compliance Under RTC+B**

Real Time Co-optimization (RTC) would allow for reclearing of AS and hence would minimize the reliability risk of entities not being able to deliver awarded AS. Even if the risk is reduced, even under RTC, there would still be a need for compliance requirement based on the product definition. NPRR 1186 approved by TAC and the Board not only provides an interim solution to alleviate the risks responsible market participants face in the years until RTC can be implemented but also provides market transparency and regulatory stability about the SOC requirements.

### **NPRR 1186 Is Not Discriminatory**

Based on the current protocol, non-ESRs are required to have fuel limitations reflected in their High Sustained Limit (HSL) values which are used to determine AS responsibility compliance. SOC compliance check in NPRR 1186 is equivalent to AS responsibility check based on HSL which is in turn is based on fuel availability. Hence, the compliance rules in NPRR 1186 are not discriminatory to ESRs. On the contrary, based on the above example it could be considered an advantage to ESRs as a thermal resource would need to have an HSL for 4 hours that can sustain 25MWs to be compliant, but an ESR would only need 25MWh SOC (fuel to provide 25MWs for 1 hour) to be compliant. From a reliability benefit perspective, the grid could receive 25 MWs for each of the next 4 hours (100MWh of energy) from that thermal resource but might only get 25MWh from an ESR that is compliant with the rules.

Increased regulations placed for valid reasons, such as the need to verify delivery of service, do not create barriers to entry. On the other hand, it ensures creation of market-based incentives for

investment in resources that can meet the requirements and provide investors with more certainty that the offered services will retain the value of the reliability the services provide. If ERCOT needs a longer duration product, then SOC requirements that cover the duration will send investment signals for longer duration ESRs.

### **Current Operational Events Highlight Need for NPRR 1186**

ERCOT has demonstrated that there is a valid and timely need for this protocol revision as they have documented in their January 4 filing the operating days where system performance was placed at risk due to a lack of adequate state of charge controls.

### **CONCLUSION**

Energy Storage Resources are an essential type of dispatchable resource needed to ensure the reliability of Texas' evolving grid. ERCOT visibility into current and planned SOC of ESR is important for the efficient and effective operation of ERCOT grid. Having well defined protocols on SOC requirements and compliance requirements provide regulatory certainty on the expectations of the services being procured and ensures that market outcomes reflect the value of the services being provided. The version of the NPRR 1186 for Commission's consideration accomplishes that while accommodating market participant's concerns. Hence, we respectfully request that the Commission approve NPRR 1186. Shell Energy looks forward to continued collaboration with Commission Staff and stakeholders on this important matter.

Respectfully submitted,

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