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CY 2023 REVIEW OF RULES ADOPTED BY § PUBLIC UTILITY COMMISSION
THE INDEPENDENT ORGANIZATION § OF TEXAS
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THE ADVANCED POWER ALLIANCE COMMENTS

The Advanced Power Alliance appreciates the opportunity to file comments relating to ERCOT Nodal Protocol Revision Request (NPRR) 1186: *Improvements Prior to RTC+B Project for Better ESR State of Charge Awareness, Accounting* and the presentation the Electric Reliability Council of Texas (ERCOT) filed on January 4, 2023 in this project. Each member company may not endorse every opinion reflected in these comments.

I. INTRODUCTION

The Advanced Power Alliance (APA) serves as the voice of a diverse cross-section of the world's leading energy companies, energy investors, energy consumers, and power generation manufacturers from across the clean power sector that are driving high-tech innovation through the development of generation assets including wind, solar, and energy storage, spurring massive investment in the U.S. economy, including a cumulative investment in Texas of \$99 billion to date, while creating jobs for American workers, including more than 44,220 in Texas alone.¹

Projects developed by our member companies and investors generate more than \$364 million state and local tax dollars for schools, services, and infrastructure, as well multi-generational income for Texas landowners, more than \$371 million annually, mainly in rural Texas.² Our members' projects help to create cleaner air, water, and improved human health.

II. COMMENTS

¹ American Clean Power Association, Sept. 2023. https://cleanpower.org/wp-content/uploads/2023/11/Texas_clean_energy_factsheet.pdf.

² Ibid.

During the November 30, 2023 Open Meeting of the Public Utility Commission of Texas (“Commission”), Commissioners discussed at length the impacts of NPRR1186. APA appreciates the Commission taking time to consider the merits of NPRR1186 and whether the novel concepts proposed by ERCOT related to State Of Charge (SOC) requirements that set operational limits on Energy Storage Resources (ESRs) and new pre-performance penalties on ESRs for noncompliance are appropriate. Given that pre-performance penalties are not being imposed on any other type of Generation Resource, APA believes that the current iteration of NPRR1186 is discriminatory and APA requests that the Commission reject the proposal so that, at a minimum, ERCOT can remove the proposed changes to Protocol Section 8.

ERCOT’s NPRR1186 is the first of two NPRRs that ERCOT has introduced that will impede the ability of ESRs to manage their own assets by arbitrarily placing restrictions on the ability of ESRs to supply their maximum output for the benefit of the grid. This will restrict the ability of ESRs to provide grid services during peak demand periods by limiting access to the energy held by storage resources during an ERCOT emergency event such as occurred on September 6, 2023.

On the evening of September 6, as the amount of available power reserves fell dangerously low, ERCOT declared an Energy Emergency Alert 2 due to declining frequency and low operating reserves. Prior to the emergency being declared, all ancillary services had been released including ESR capacity. During the event, batteries helped avoid the possibility of rolling outages by providing 2,172 MWs to the grid, roughly 3% of the overall supply. However, had ESRs been required to comply with NPRR1186 as proposed, ESRs would not have offered as much of their capacity to support reliability due to potential penalties resulting from NPRR1186.

ESRs are the fastest-reacting dispatchable resources in the market and can be a critical component of ERCOT’s resource mix helping to meet ERCOT’s real-time reliability needs. Limiting the participation of ESRs in the market with overly restrictive operational requirements and extraordinary pre-performance penalties will harm Texas’ consumers forced to pay more for power generated by less efficient resources while additional traditional dispatchable generation resources are held out of the market to provide ancillary services. Further, this will have a chilling effect on

development of new ESRs, as targeting one type of generation resource with discriminatory compliance obligations will send the wrong economic price signals to market participants and investors who hope to develop new ESRs that will cost-effectively contribute to the reliability of the system.

ERCOT is experiencing unprecedented growth from population and commercial and industrial load, as well as uncertainties stemming from increased thermal forced outages and higher penetration from variable resources. As the grid continues to change, it must also adapt, and ESRs are an important, fast-acting, and flexible part of the resource mix which increases grid reliability.

APA agrees with other commenters that ERCOT's NPRR1186 SOC provisions limit the operational flexibility of ESRs to deliver ancillary services. The proposed SOC requirements will constrain ESR's ability to offer their full output resulting in ESRs serving a lower quantity of ancillary services awards over the course of the day and making it more difficult to utilize the most efficient, cost-effective resource in an emergency. No other generation resource type faces this restriction. These inherently discriminatory provisions hold ESRs to different, more punitive pre-performance penalties than the rest of the participants in the ERCOT Market.

There is a need for dispatchable generation resources that can operate regardless of the weather conditions and that are not reliant on external fuel supply for their power. Energy Storage Resources provide both and do so almost instantaneously. For example, when a nuclear power plant tripped on June 16, 2023, ESRs made up the difference preventing an imbalance of supply and demand.

APA appreciates the Commission allowing stakeholders to provide comments on the January 4 presentation filed by ERCOT in this project prior to the Commission's deliberation of NPRR1186 at the next Open Meeting scheduled for January 18. In summary, the presentation filed by ERCOT lacks relevant information, fails to provide a full and balanced picture of ESR performance and seems to hold significant bias as described in the points list below.

- ERCOT's presentation of "failures to perform" demonstrate two of the four worst days for the ERCOT energy market in which ESRs were short including on September 6 by 74 MW and on August 17 by 113 MW. ERCOT reports that no ESRs were short on August 25 or August 30. Conversely, even a much smaller deviation by the thermal resources would lead to a much larger actual impact.
- Although ERCOT's comments showed the performance of the thermal generation on the four days reviewed, ERCOT did not show the successful performance of ESRs on two of the days, but only on the two days when a few ESRs fell short. Failing to include basic complimentary information creates the appearance of bias.
- ERCOT continues to demonstrate that its systems have difficulty incorporating the fact that ESRs act both as Generation Resource and a Controllable Load Resource (CLR). The presentation states: "Unlike other generation resources, an ESR can only provide up to the amount of energy that has been stored in the battery. At some point, a battery will run out of energy." That statement is not a true reflection of ESR performance. An ESR that has low SOC can still offer ancillary services as a CLR if it has bid to buy in the current hour and can either reduce or curtail its charging, thus returning that power to the market. It is also not clear whether ERCOT either accounts for this or if ERCOT's systems lack the ability to do so.
- If ERCOT can identify market participants that are blatantly violating the letter and spirit of the existing market rules, then ERCOT and the Commission have the enforcement and penalty authority necessary to act without adding a new discriminatory penalty structure for the entire fleet of ESRs. ERCOT comments note that the PUCT Division of Compliance and Enforcement (DICE) has authority under section 25.503(f)(6) and (g)(3) to require QSEs representing ESRs to maintain sufficient SOC to meet future ancillary services requirements.
- ESRs have High Sustainable Limits (HSL) reporting requirements and can adjust in a similar way that thermal resources can if they are short. However, thermal generators are not penalized if they run out of fuel if they can cover their obligation by another Resource. ESRs should continue to be able to do same.

III. CONCLUSION

The Advanced Power Alliance appreciates the opportunity to file comments in this project. Our organization believes that ERCOT's NPRR1186 is discriminatory because it treats Energy Storage Resources differently than the rest of the participants in the ERCOT Market by imposing additional, punitive pre-performance penalties. We feel this will impact system reliability because it will substantially reduce energy storage participation at a time when additional resources are needed to meet ERCOT's ever-growing demand. While APA appreciates ERCOT's changes to NPRR1186 since the outset, we fear the current iteration is unworkable and may have adverse impacts on the market as described in this filing. As an alternative to outright rejection of NPRR1186, the Commission could reject with directions to ERCOT to remove the proposed revisions to Section 8 so that the Commission can approve the remaining provisions. In addition, and in either case, we ask

that the Commission clearly state that it will not enforce the Business Practice Manual (BPM) State of Charge Requirements through compliance investigations and direct ERCOT to remove the SOC Requirements from the BPM as ERCOT acknowledges in its presentation that the BPM does not have independent legal effect and does not provide the same regulatory certainty as Commission-approved Protocols. We look forward to continuing work with the Commission, ERCOT and other interested parties on these important matters.

Respectfully submitted,

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EXECUTIVE SUMMARY OF THE ADVANCED POWER ALLIANCE COMMENTS

- The Advanced Power Alliance (APA) believes that ERCOT's NPRR1186 is discriminatory because it treats Energy Storage Resources differently than the rest of the participants in the ERCOT Market by imposing additional, punitive pre-performance penalties.
- APA believes NPRR1186 in its current form will impact system reliability because it will substantially reduce energy storage participation at a time when additional resources are needed to meet ERCOT's ever-growing demand.
- As an alternative to outright rejection of NPRR1186, the Commission could reject with directions to ERCOT to remove the proposed revisions to Section 8 so that the Commission can approve the remaining provisions.
- In addition, and in either case, we ask that the Commission clearly state that it will not enforce the Business Practice Manual (BPM) State of Charge (SOC) Requirements through compliance investigations and direct ERCOT to remove the SOC Requirements from the BPM as ERCOT acknowledges in its presentation that the BPM does not have independent legal effect and does not provide the same regulatory certainty as Commission-approved Protocols.