****

**Request for Proposals**

**for**

**Contracts for Capacity for Summer 2024**

**Version 1.1**

**Original Date of Release: May 8, 2024**

**Proposal Deadline: June 13, 2024**

**Revision History**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Author** | **Version** | **Change reference** |
| 05/08/24 | ERCOT | 1.0 | Initial Version |
| 05/29/24 | ERCOT | 1.1 | Amended Version |

Table of Contents

[1. GENERAL INFORMATION 3](#_Toc167883795)

[2. SCOPE AND REQUIREMENTS 7](#_Toc167883796)

[3. GENERAL INSTRUCTIONS AND RESPONSE REQUIREMENTS 10](#_Toc167883797)

[4. EVALUATION 14](#_Toc167883798)

[5. APPENDICES (attached as separate files) 16](#_Toc167883799)

1. GENERAL INFORMATION
	1. Background and RFP Objective

As authorized by Paragraph (4) of ERCOT Protocols § 6.5.1.1, ERCOT Control Area Authority, ERCOT has identified a need to procure capacity to meet Load and reserve requirements during the summer 2024 Peak Load Season. Several factors contribute to this need, including significant peak Load growth and constraints that limit the transmission of power between South Texas and other portions of the ERCOT region such as, but not limited to, the San Antonio region, under certain conditions involving high, systemwide Demand.

Such conditions arise when (1) the ERCOT System is experiencing a near-scarcity of generating reserves to meet systemwide Demand, (2) insufficient generation exists to meet Demand in the portion of the ERCOT System north of the specific transmission constraints, and (3) an excess of generation is available to be exported from South Texas to the rest of the ERCOT System, including over the relevant transmission lines.  The involved transmission facilities have been identified as Interconnection Reliability Operating Limits (IROLs), as defined by the North American Electric Reliability Corporation (NERC), because under certain circumstances, overloading of such transmission facilities and the occurrence of an additional contingency could lead to cascading outages that adversely impact the reliability of the Bulk Electric System.  ERCOT is obligated by NERC Reliability Standard IRO-009-2, Requirement R2, to develop a plan to avoid the exceedance of IROLs.

ERCOT has established South Texas Export Generic Transmission Constraints (GTCs) which will enable ERCOT’s Security Constrained Economic Dispatch (SCED) software to manage generation dispatch within the IROLs’ limits the majority of the time.  However, if insufficient generation exists to meet Demand north of the constraints without exceeding the IROLs, ERCOT is required, under NERC Reliability Standards and its mitigation plan, to direct Load shedding before the limits of the IROLs are exceeded.  Last summer, before establishment of the South Texas Export GTCs and IROLs and changes to nearby transmission facilities that assist in relieving loading on the constraints, the relevant transmission facilities were overloaded numerous times.

Accordingly, ERCOT issues this request for proposals (RFP) for Qualified Scheduling Entities (QSEs) representing Demand response capacity to provide up to 500 MW of relief on the relevant transmission facilities in accordance with ERCOT Protocols § 6.5.1.1(4), which recognizes ERCOT’s “authority to prevent an anticipated Emergency Condition relating to serving Load in the current or next Season by procuring existing capacity that may be used to maintain ERCOT System reliability in a manner not otherwise delineated in the[] Protocols and the Operating Guides. . . .” Based on the risk identified in ERCOT’s analysis, ERCOT seeks to procure the Demand response capacity solely in locations where the provided Demand response serves to reduce the power flows over the transmission facilities that are the subject of the South Texas Export IROLs. A list of the counties with beneficial shift factors and their ranges is included as Appendix D to this RFP. Eligible demand response capacity is sought for the 2024 summer Peak Load Season (July through September 2024) with a service start date as early as July 1, 2024 and as late as August 1, 2024.

ERCOT may award multiple offers in order to reduce the risk of ERCOT-directed Load shed observed in its analysis. ERCOT may reject offers that it determines do not meet the requirements of the RFP or do not cost-effectively reduce the identified risk. All accepted offers will be paid as offered, subject to the reductions in payment described in this RFP and the Summer 2024 Contract for Capacity Governing Document (“Governing Document”). ERCOT will not use a clearing price mechanism. The deadline for RFP proposals is as shown in the Procurement Timeline in Section 1.6 of this RFP.

* 1. ERCOT Background

ERCOT manages the flow of electric power to more than 26 million Texas customers, representing approximately 90 percent of the state’s electric load. As the Independent System Operator for the region, ERCOT schedules power on an electric grid that connects more than 54,100 miles of transmission lines and 1,250 generation units, including Private Use Networks. ERCOT also performs financial settlement for the competitive wholesale bulk-power market and administers retail switching for approximately 8 million premises in competitive choice areas. ERCOT is a membership-based 501(c)(4) nonprofit corporation governed by a board of directors and subject to oversight by the Public Utility Commission of Texas and the Texas Legislature. Additional information about ERCOT can be found at <http://www.ercot.com/>.

* 1. Legal Framework

ERCOT’s procurement of any capacity under a Contract for Capacity and the operation and settlement of any awarded Capacity Sources are governed by this RFP, the ERCOT Protocols, the Governing Document, and the contract for capacity between ERCOT and the awarded entity ("Contract for Capacity”). The Contract for Capacity template is embedded in Appendix B of this RFP.

* 1. Interpretation of Terms

In this RFP, capitalized terms are given the meaning assigned by the ERCOT Protocols, unless otherwise noted herein.

* 1. ERCOT Point of Contact

The sole point of contact for inquiries concerning this RFP and the Governing Document is:

Jason Terrell

Manager, Procurement and Contract Administration

ERCOT

2705 West Lake Drive

Taylor, Texas 76574

mailto:jason.terrell@ercot.com

All communications relating to this RFP and the Governing Document must be directed to the specified ERCOT contact person noted herein. An actual or prospective submitter shall not discuss with the ERCOT contact person any matter concerning this RFP and the Governing Document before the proposal deadline, except as permitted through the question-and-answer process described below. Failure to comply with this section may result in ERCOT’s disqualification of the proposal.

* 1. Procurement Timeline

| Procurement Timeline[[1]](#footnote-2) |
| --- |
| RFP and Governing Document Release Date |  Wednesday, May 8, 2024  |
| Questions on RFP and Governing Document/Redlines to Contract Due |  Thursday, May 16, 2024 (3:00:00 PM CPT) |
| Questions Answered by ERCOT |  Thursday, May 23, 2024 |
| WebEx-only Workshop on RFP and Governing Document |  Friday, May 24, 2024 (morning) |
| ERCOT Notice of Amendments to RFP and Other Related Documents |  Wednesday, May 29, 2024 |
| Proposals Due |  Thursday, June 13, 2024 (3:00:00 PM CPT)  |
| Presentations (if requested by ERCOT) | Monday, June 17 – Monday, June 24, 2024 |
| ERCOT Notice of Awards/Issuance of Market Notice |  Tuesday, June 25, 2024 |
| ERCOT and Target Contract Execution Date |  Friday, June 28 – Monday, Jul. 29, 2024 |
| Target Service Start Date |  Monday, July 1 (12:00:00 AM CPT) – Thursday, Aug. 1, 2024 (12:00:00 AM CPT) |
| Service End Date | September 30, 2024 (11:59:59 PM CPT) |

* 1. Questions and Comments Concerning this RFP and any Other Related Documents

Entities shall submit any questions concerning this RFP and other related documents, including recommended changes to the Contract for Capacity template, to the ERCOT contact person described above by **3:00:00 PM Central Prevailing Time (CPT) on Thursday, May 16, 2024**. ERCOT will post written responses to all questions and comments by no later than Thursday, May 23, 2024, on the ERCOT website at <http://www.ercot.com/about/procurement/rfp/index>.

* 1. Amendments to RFP and any Other Related Documents

ERCOT reserves the right to amend this RFP and other related documents. ERCOT will provide notice of any amendments to this RFP and other related documents no later than Wednesday, May 29, 2024 and post any such amendments on the ERCOT website at <http://www.ercot.com/about/procurement/rfp/index>.

* 1. RFP Cancellation/Non-Award

ERCOT reserves the right to cancel this RFP or to make no award pursuant to this RFP.

* 1. No Reimbursement for Costs of Proposals

ERCOT will not reimburse any entity for costs of developing a proposal in response to this RFP.

1. SCOPE AND REQUIREMENTS
	1. Project Scope Overview

The purpose of this RFP is to solicit proposals from QSEs for additional eligible Demand response capacity to be available for ERCOT deployment to prevent an anticipated Emergency Condition relating to serving Load in the 2024 summer Peak Load Season. The service consists of making Demand response capacity available to ERCOT for deployment during the contracted service period and complying with ERCOT deployment instructions, as further described in this RFP and in the Governing Document.

* + 1. ERCOT will evaluate qualified offer submissions based on a cost-effectiveness analysis that includes offer price, the shift factor applicable to each site offered in the proposal, and how effective the proposal is in helping reduce the loading on the transmission facilities that are the subject of the South Texas Export IROLs during the contracted service period.
		2. The Contract for Capacity will obligate each awarded entity to provide the Demand response capacity for a period that begins on a specified date between July 1, 2024 (12:00:00 AM CPT) and August 1, 2024 (12:00:00 AM CPT), inclusive, and ends on September 30, 2024 (11:59:59 PM).
		3. Each QSE that is awarded a Contract for Capacity must comply with all requirements established in the Governing Document, including without limitation all telemetry requirements, dispatch procedures, availability requirements, event and test performance criteria, and communications requirements.
	1. Eligible Proposals
		1. Subject to qualifications established in this RFP and in the Governing Document, any QSE may submit a proposal for a proposed Demand Response Capacity Source.
		2. QSEs may submit proposals to provide capacity from any one of the following sources (each of which is hereinafter referred to as a “Capacity Source”), provided that the proposed Capacity Source meets the requirements of this RFP and the Governing Document:
* Customers at individual sites with peak Demand response capability equal to or greater than 1 MW—including Customers with one or more Settlement Only Generators, unregistered generators, or unregistered energy storage systems that may offset Load – that
	+ - Have not exhibited price-responsive behavior after January 1, 2023, as further described in the Governing Document (note that residential sites are not subject to the price-responsive standard), and
		- are not currently a participant of any TDU load management program nor Emergency Response Service with an obligation in ERS Time Periods 3, 4, 5 or 7; or
* Aggregations of Customer sites —including Customers with one or more Settlement Only Generators, unregistered generators, or unregistered energy storage systems that may offset Load – with an aggregated, total peak Demand response capability that equals or exceeds 1 MW and each customer in the aggregation
	+ - Did not exhibit price-responsive behavior since January 1, 2023, as further described in the Governing Document (note that residential sites are not subject to the price-responsive standard), and
		- is not currently a participant of any TDU load management program nor Emergency Response Service with an obligation in ERS Time Periods 3, 4, 5 or 7.
		1. Each offered Capacity Source must provide at least 1 MW of capacity.
		2. For a Demand Response Capacity Source, the QSE may offer one or both of the following categories of availability for the Capacity Source in its Demand Response Capacity Source Offer Submission Form:
* Category A: The Demand Response Capacity Source is available each day between the start date and September 30, 2024 for the 6 hours from 3:00 to 9:00 pm CPT and is available to be deployed once a day up to 10 times. The Demand Response Capacity Source shall have a Ramp Period of no longer than 20 minutes.
* Category B: The Demand Response Capacity Source is available each day between the start date and September 30, 2024 for the 6 hours from 3:00 to 9:00 pm CPT and is available to be deployed once a day up to 20 times. The Demand Response Capacity Source shall have a Ramp Period of no longer than 20 minutes.

A Demand Response Capacity Source may be offered in more than one of the above categories, and each such category designation may be offered at a different price with a different MW amount. A Demand Response Capacity Source may be awarded for only one category. If a Demand Response Capacity Source is offered in multiple categories and would be eligible for clearing in more than one category, ERCOT will select the offer that it determines has the greatest reliability benefit for the total expected cost, based on the offered price and the shift factor(s) for the Customer site(s) in the Demand Response Capacity Source.

* + 1. Any Customer that is considered a critical load, including a critical natural gas facility, as those terms are defined in 16 Texas Administrative Code § 25.52, is not eligible to be offered as a Demand Response Capacity Source in this program. By submitting a proposal in response to the RFP, the entity is attesting that none of the sites identified in the Demand Response Capacity Source Site Information spreadsheet are critical loads.
		2. Each entity offering a Demand Response Capacity Source that includes one or more Premises located in a Non-Opt In Entity (NOIE) service territory must provide a fully executed NOIE authorization form demonstrating the NOIE’s consent to a non-NOIE entity offering and representing the Premise in the Demand Response Capacity Source. The NOIE authorization form is included in Appendix C to this RFP.
		3. Each offered Demand Response Capacity Source must comply with all eligibility requirements established in this RFP and the Governing Document. ERCOT may reject any offer that does not comply with these requirements.
	1. Payments

A QSE that enters into a Contract for Capacity with ERCOT pursuant to this RFP will be compensated as described in the Governing Document. Failure by any QSE to provide the contracted service will result in withholding or claw back of all or part of the payment pursuant to the Governing Document and the Contract for Capacity and may subject the QSE to enforcement action by the Public Utility Commission of Texas, among other remedies that may be provided in the Contract for Capacity, the Governing Document, and this RFP.

1. GENERAL INSTRUCTIONS AND RESPONSE REQUIREMENTS
	1. Questions and Comments

All questions and comments regarding this RFP and other related documents must be submitted electronically to the email address contained in Section 1.5, ERCOT Point of Contact. All questions must reference the appropriate RFP or related document page and section number. In order to receive a response, questions and comments must be received no later than **3:00 PM CPT on the deadline set forth in Section 1.6, Procurement Timeline**. Questions in anonymized form and ERCOT’s responses will be posted to the ERCOT RFP Index web page at <http://www.ercot.com/about/procurement/rfp/index>. Questions received after the due date may be reviewed by ERCOT, but might not receive a response. A submitter must inquire in writing as to any ambiguity, conflict, discrepancy, exclusionary specification, omission or other error in this RFP or related document prior to submitting a proposal.

ERCOT reserves the right to amend its responses to questions prior to the proposal submission deadline.

* 1. Modification or Withdrawal of Proposal

Proposals may be withdrawn from consideration at any time prior to the notice of any Contract for Capacity award (*see* Section 1.6). A request for withdrawal must be submitted via email from the submitter’s representative to the ERCOT Point of Contact.

A submitter has the right to amend its proposal at any time by amendment delivered via email from the submitter’s representative to the ERCOT Point of Contact prior to the proposal submission deadline (*see* Section 1.6).

* 1. Incomplete Proposals

ERCOT may reject without further consideration any incomplete proposal.

* 1. Consent to Obtain Information

By submitting a proposal, an entity grants ERCOT the right to obtain information from any lawful source regarding: (i) the past business history, practices, conduct, and ability of the entity to supply goods, services, and deliverables; and (ii) the past business history, practices, conduct, and ability of the entity’s directors, officers, and employees.

* 1. Instructions for Submitting Proposals
		1. **Submission**

Submit all copies of the proposal to the ERCOT Point of Contact no later than **3:00 PM CPT on the submission deadline** (*see* Sections 1.5 & 1.6). The proposal must be signed by an authorized representative of the submitter and submitted via email. The file must not exceed 20 megabytes (MB). If this size restriction cannot be met, multiple emails may be sent, but the submitter must indicate how many emails ERCOT should anticipate (*e*.*g*., email 1 of 3). Proposals must be submitted electronically using the Demand Response Capacity Source Offer Submission Form template from Appendix A. A submitter may include any additional proposal-related information in an appendix.

A submitter offering Capacity Sources that include Sites located in a territory served by a NOIE are responsible for arranging with the NOIE Transmission and/or Distribution Service Provider (TDSP) to provide ERCOT with 12 months of premise-level interval meter data. If a Site was energized within the last 12 months, and has interval data starting before May 1, 2023, the 12-month requirement will not apply. A submitter shall ensure the NOIE TDSP contacts ERCOT’s Point of Contact on or before the due date for offer submission so that ERCOT may create a secure file share for ERCOT’s receipt of premise-level interval meter data.

All offers, whether accepted or rejected, will become the property of ERCOT. ERCOT will treat RFP proposals and any associated presentations or other information associated with a proposal as confidential. However, any Contract for Capacity will be publicly available. Late submissions will not be considered. After the deadline for proposals, ERCOT may request a resubmission of any proposal that ERCOT determines requires correction.

* + 1. **Additional Requirements**

All proposals must be:

* Clearly legible;
* Sequentially page-numbered;
* Organized in the sequence outlined in Sections 3.6.1 and 3.6.2;
* Limited to 50 pages (excluding ERCOT-required forms);
* Responsive to the requirements of this RFP and the related documents; and
* Proposals should include the submitter’s name at the top of each page and shall not include unrequested materials or pamphlets.
	1. Format and Content

The proposal must consist of two separate parts and must be sent in two separate attachments:

1. Part 1 – Business Proposal; and

(2) Part 2 – Cost Proposal.

* + 1. **Part 1 -- Summary and Entity Information**

The Business Proposal must include the following two sections:

Section 1 – Executive Summary;

Section 2 – Entity Information;

**Section 1 -- Executive Summary**

In this section, the submitter shall condense and highlight the content of the proposal to provide ERCOT with a general understanding of the entity’s approach to meeting ERCOT’s objectives for this procurement.

**Section 2 -- Entity Information**

This section shall include the following information:

* Entity’s full legal name;
* Headquarters address;
* Type of ownership (e.g., partnership, corporation);
* The name of any parent organization(s);
* The state in which the entity is incorporated;
* Federal taxpayer identification;
* Name and title of person who will sign the Contract for Capacity; and
* Name and title of person responsible for responding to questions regarding the proposal, with telephone number, facsimile number, and email address.
	+ 1. **Part 2 -- Proposal**
			1. For each Customer site or aggregation of Demand response sites that is offered as a Demand Response Capacity Source, the QSE shall submit the Demand Response Capacity Source Offer Submission Form in Appendix A and provide the requested information for each participating site.
			2. The QSE must also provide the following information:
* A comprehensive description of the proposed Demand Response Capacity Source.
* Any operational, contractual, or other factors that could increase the ultimate cost of any Contract for Capacity.
* A project development plan that describes the steps needed to make the offered Demand Response Capacity Source available by the proposed start date and establishes the feasibility of those steps, including without limitation any necessary permits, government or utility approvals and interconnections, project financing, and modifications or additions of plant equipment.
* A project schedule or Gantt chart illustrating the schedule to achieve the project development plan.
* The name and contact information of at least one representative who will have decision-making authority with respect to the operation of proposed Demand Response Capacity Source.
* Any additional information the submitter believes may assist ERCOT in its selection process.
	1. Multiple Responses

A QSE may submit more than one proposal.

* 1. Correction of Errors

If ERCOT determines that an error was committed in the submission of a proposal, including without limitation by submitting an offer sheet that includes an incorrect calculation or by including one or more ineligible Sites in a Demand response Capacity Source, ERCOT may allow the submitter to promptly submit a revised proposal, even if such revised proposal is submitted after the deadline for offer submission.

1. EVALUATION
	1. Evaluation of Proposals

ERCOT may accept one or more proposals (*i.e.* offers) from QSEs through an internal evaluation process. ERCOT will consider capabilities or advantages that are clearly described in each proposal, which may be confirmed by presentations, site visits, or demonstrations, if required, and verified by information from reference sources contacted by ERCOT. ERCOT reserves the right to contact individuals, entities, or organizations that have had dealings with the QSEs.

* 1. Evaluation Criteria

ERCOT may accept the offers or combination of offers that provide the most cost-effective means to reduce the risk of ERCOT-directed Load shed. ERCOT may limit the total quantity of MW awarded in any of the Demand response categories identified above based on the expected reliability benefit relative to the expected cost under each category. ERCOT may reject any proposal that ERCOT reasonably determines presents an undue concern regarding the ability of the QSE and Demand Response Capacity Source(s)’ to comply with the requirements of the RFP or the Governing Document. The primary criteria for evaluating the proposals as related to this RFP are as follows:

1. The abilities of the QSE and Demand Response Capacity Source(s)’ to meet the requirements set forth in Sections 1 and 2.

2. The QSE’s total offer price per MW.

3. The location(s) of the offered Demand Response Capacity Source(s) and their corresponding shift factor(s).

ERCOT may also consider the following factors:

* The Demand Response Capacity Source(s)’ ability to provide the required capacity;
* The QSE’s ability to satisfy objective financial criteria;
* The likelihood that the proposed Demand Response Capacity Source will be available by the expected start date;
* The operational characteristics of the proposed Demand Response Capacity Source, based on its anticipated overall impact to grid reliability; and
* Any other factor that may raise a reasonable doubt about the QSE’s or an offered Demand Response Capacity Source’s ability to comply with obligations under this RFP or the Governing Document.
	1. Presentations and Site Visits

ERCOT may, at its sole discretion, request presentations, site visits, and/or demonstrations from any entity that submits a proposal in response to this RFP. ERCOT will notify such submitters of the time and location for these activities and may supply agendas or topics for discussion. ERCOT reserves the right to ask additional clarifying questions at any time, including during presentations, site visits, and/or demonstrations as a condition for issuing an award.

1. APPENDICES (attached as separate files)

* 1. APPENDIX A: Demand Response Capacity Source Offer Submission Form

Offers shall be submitted using the following Demand Response Capacity Source Offer Submission Form. Any additional supporting information may be submitted as an attachment.

* 1. APPENDIX B: Contract for Capacity Template
	2. APPENDIX C: Revised NOIE Authorization Form
	3. APPENDIX D: Revised Texas Counties List
1. Unless otherwise noted in this RFP, all Business Day deadlines shall include a Business Hour deadline of 5:00 PM Central Prevailing Time (CPT). [↑](#footnote-ref-2)