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| NPRR Number | [1190](https://www.ercot.com/mktrules/issues/NPRR1190) | NPRR Title | High Dispatch Limit Override Provision for Increased Load Serving Entity Costs |
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| Date | October 2, 2024 |
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| Submitter’s Information |
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| Market Segment | Industrial Consumer, Residential Consumer |

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| Comments |

Joint Consumers do not support Nodal Protocol Revision Request (NPRR) 1190 because it would reward overscheduling power that cannot be delivered and as such, will force consumers to subsidize insufficient hedging by other Market Participants in the face of changing grid conditions. For context, ERCOT uses High Dispatch Limit (HDL) overrides to dispatch a generator down due to a reliability issue that the generator is at least partially causing, but the issue cannot be resolved by Security-Constrained Economic Dispatch (SCED). As proposed, NPRR1190 expands which entities qualify to receive HDL override payments, allowing any Qualified Scheduling Entity (QSE) to be eligible for HDL payments, rather than only Non-Opt-In Entities (NOIEs). Importantly, this NPRR, and HDL override payments broadly, are contrary to the Nodal market design.

A major reason the ERCOT market adopted nodal dispatch and pricing in Public Utility Commission of Texas (PUCT) Substantive Rule 25.501, *Wholesale Market Design for the Electric Reliability Council of Texas,* was to avoid paying generation owners for power that was scheduled but not deliverable.[[1]](#footnote-1) Prior to the implementation of the rule, the ERCOT zonal market design operated under an approach that “all schedules must flow” and that Market Participants could be compensated with “OOME Down” payments[[2]](#footnote-2) for any portion of the scheduled power that was not deliverable. Ultimately, the PUCT deemed the OOME payment approach untenable in the long run and ordered ERCOT to institute nodal pricing instead, putting the risk of power delivery on Market Participants. This is known as the direct assignment of congestion costs, which is reflected in the Real-Time nodal pricing at a particular generator node or set of nodes. Through this rule, the PUCT instituted a policy that no market participant has an absolute right to flow power across the grid under all circumstances.

In the nodal market, HDL override payments are unnecessary. Functionally, the payments will force consumers to subsidize Market Participants when grid conditions require curtailment. Market Participants have access to alternative sources of power through purchases in the liquid commercial bilateral power market and have the capability to make arrangements in advance to handle a wide range of contingencies that might hinder the delivery of power from an owned or contracted Resource. Just as other consumers would not pay for a generator if SCED did not deploy a Resource at its full output, other power consumers should not have to subsidize Resources that are dispatched down due to HDL overrides.

In order for ERCOT Protocol language to be consistent with the intent of PUCT Substantive Rule 25.501(e), Joint Consumers recommend the Board reject NPRR1190 and remand the issue to TAC for the purpose of removing the existing language in the ERCOT Protocols that allows ERCOT to subsidize HDL overrides.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None

1. Project Number 26376, “Rulemaking Proceeding on Wholesale Market Design Issues in the Electric Reliability Council of Texas,” Adoption of PUCT Substantive Rule 25.501, *Wholesale Market Design for the Electric Reliability Council of Texas*, August 21, 2003 (available at: <https://ftp.puc.texas.gov/public/puct-info/agency/rulesnlaws/subrules/electric/25.501/26376adt.pdf>). [↑](#footnote-ref-1)
2. Out of Merit Order Energy payments for reducing output [↑](#footnote-ref-2)