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| NPRR Number | [1235](https://www.ercot.com/mktrules/issues/NPRR1235) | NPRR Title | ****Dispatchable Reliability Reserve Service as a Stand-Alone Ancillary Service**** |
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| Date | November 20, 2024 |
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| Submitter’s Information |
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| Market Segment | Not applicable |

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| Comments |

In our initial set of comments on Nodal Protocol Revision Request (NPRR) 1235, we suggested that ERCOT’s concept of procuring physical obligations to provide Dispatchable Reliability Reserve Service (DRRS) through the Day-Ahead Market (DAM) and then deploying DRRS through Reliability Unit Commitment (RUC) is likely an improvement compared to over-procuring NSPIN or relying on out-of-market RUCs, but a Real-Time procurement process would improve market outcomes and better account for Real-Time system conditions. After further consideration, our position is that Real-Time procurement and co-optimization of DRRS is critical and that NPRR1235 should not be approved without the following criteria:

* DRRS should be procured and co-optimized in Real-Time. Co-optimization allows shortages of available DRRS capacity to be factored into price formation, thus addressing concerns about price suppression and sending efficient price signals related to the value of reserves. Off-Line DRRS capacity could still be deployed in tandem with RUC.
* On-Line units should be able to provide DRRS. Only allowing Off-Line units to provide DRRS could incentivize units not to commit in situations where their commitment would be more economically efficient.
* As an operating reserve, the DRRS methodology and corresponding demand curve should be designed according to the marginal reliability of DRRS and not with an explicit resource adequacy/revenue sufficiency target in mind. Setting DRRS procurement volumes today to produce revenue sufficiency for future demand would introduce price formation issues that would affect the price of other reserve services and energy and likely result in excess cost.

We recognize that aspects of ERCOT’s concept for DRRS are related to the statutory requirement that DRRS procurement volumes offset commitment through RUC. As our proposed criteria might complicate the interpretation of compliance with that requirement, we intend to work with ERCOT to find a satisfactory solution to meeting this requirement.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None