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PROJECT NO. 40000

PROCEEDING RELATING TO  
RESOURCE ADEQUACY IN THE  
ERCOT POWER REGION

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PUBLIC UTILITY COMMISSION  
OF TEXAS

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**TEXAS INDUSTRIAL ENERGY CONSUMERS' COMMENTS  
IN RESPONSE TO ISSUES RAISED BY THE OCTOBER 1, 2013  
COMMENTS FROM CPS ENERGY**

Texas Industrial Energy Consumers (TIEC) submits these comments in response to the issues raised by the October 1, 2013 comments from CPS Energy regarding how Emergency Response Service (ERS) capacity should be treated in Nodal Protocol Revision Request (NPRR 568), "Real-Time Reserve Price Adder Based on Operating Reserve Demand Curve." NPRR 568 will implement the ORDC as previously approved by the Commission.

For purposes of implementing the Operating Reserve Demand Curve (ORDC), ERS capacity should be treated the same way as loads providing Responsive Reserve Service (RRS). Loads providing RRS are selected in the Day-Ahead Market (DAM) and paid a capacity payment to reserve all or a portion of their capacity. Under NPRR 568, these resources do not receive any additional payment in real-time (i.e., they are not paid the "adder"), but they are counted as reserves in calculating the adder to be paid to other resources. The same treatment is appropriate for resources participating in ERS. These resources should not be paid the adder, since they have already received a capacity payment for the service they are providing under their ERS contract. To pay a reserve payment in real-time would be to provide a double-payment that other resources do not receive.

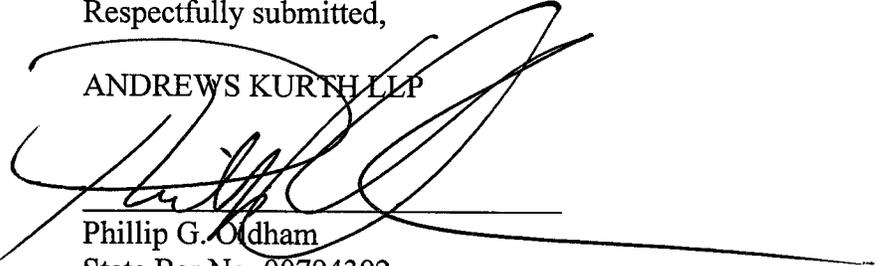
However, the ERS capacity should be included as available reserves when calculating the magnitude of the adder. Excluding ERS capacity from the calculation of reserves under the ORDC would inefficiently inflate the adder and distort market incentives. For example, excluding ERS from the reserve calculation could cause loads to curtail their usage in response to an adder that is higher than system conditions would justify, which is an inefficient result. In addition, including ERS in the adder calculation will minimize any price impacts of ERS deployments. For example, if ERS capacity is included in the adder calculation, this capacity will be removed from the calculation when ERS is deployed, as those reserves will no longer

exist. This will cause the total real-time price (including the adder) to increase upon ERS deployment. This dynamic will not exist if ERS capacity is excluded from the adder calculation.

For these reasons, TIEC believes that NPRR 568 should be drafted to include ERS capacity as available reserves in calculating the magnitude of the adder for resources that have additional reserves available in real-time. However, just like all other resources who have been separately paid to remain in reserve (whether through the DAM ancillary service market, RMR, RUC, ERS, etc.), ERS itself would not receive the adder payment.

Respectfully submitted,

ANDREWS KURTH LLP



Phillip G. Odham  
State Bar No. 00794392  
Katherine L. Coleman  
State Bar No. 24059596  
111 Congress Avenue, Suite 1700  
Austin, Texas 78701  
(512) 320-9200  
(512) 320-9292 FAX

ATTORNEYS FOR TEXAS INDUSTRIAL  
ENERGY CONSUMERS