

# CHAPTER 25. SUBSTANTIVE RULES APPLICABLE TO ELECTRIC SERVICE PROVIDERS.

## Subchapter S. WHOLESALE MARKETS.

### §25.509. Scarcity Pricing Mechanism for the Electric Reliability Council of Texas Power Region.

- (a) **Definitions.** The following terms, when used in this section, have the following meanings, unless the context indicates otherwise:
- (1) **Generation entity** -- an entity that owns or controls a generation resource.
  - (2) **Generation resource** -- a generator capable of providing energy or ancillary services to the ERCOT grid and that is registered with ERCOT as a generation resource.
  - (3) **Load entity** -- an entity that owns or controls a load resource.
  - (4) **Load resource** -- a load capable of providing ancillary service to the ERCOT system or energy in the form of demand response and is registered with ERCOT as a load resource.
  - (5) **Resource entity** -- an entity that is a generation entity or a load entity.
- (b) **Scarcity pricing mechanism (SPM).** ERCOT will administer the SPM. The SPM will operate as follows:
- (1) The SPM will operate on a calendar year basis.
  - (2) For each day, the peaking operating cost (POC) will be 10 times the natural gas price index value determined by ERCOT. The POC is calculated in dollars per megawatt-hour (MWh).
  - (3) For the purpose of this section, the real-time energy price (RTEP) will be measured as an average system-wide price as determined by ERCOT.
  - (4) Beginning January 1 of each calendar year, the peaker net margin will be calculated as:  $\sum((RTEP - POC) * (\text{number of minutes in a settlement interval} / 60 \text{ minutes per hour}))$  for each settlement interval when  $RTEP - POC > 0$ .
  - (5) Each day, ERCOT will post at a publicly accessible location on its website the updated value of the peaker net margin, in dollars per megawatt (MW).
  - (6) System-Wide Offer Caps.
    - (A) The low system-wide offer cap (LCAP) will be set at \$2,000 per MWh and \$2,000 per MW per hour.
    - (B) The high system-wide offer cap (HCAP) will be \$5,000 per MWh and \$5,000 per MW per hour.
    - (C) The system-wide offer cap will be set equal to the HCAP at the beginning of each calendar year and maintained at this level until the peaker net margin during a calendar year exceeds a threshold of three times the cost of new entry of new generation plants.
    - (D) If the peaker net margin exceeds the threshold established in subparagraph (C) of this paragraph during a calendar year, the system-wide offer cap will be set to the LCAP for the remainder of that calendar year. In this event, ERCOT will continue to apply the operating reserve demand curve and the reliability deployment price adder for the remainder of that calendar year. Energy prices, exclusive of congestion prices, will not exceed the LCAP plus \$1 for the remainder of that calendar year.
  - (7) **Reimbursement for Operating Losses when the LCAP is in Effect.** When the system-wide offer cap is set to the LCAP, ERCOT must reimburse resource entities for any actual marginal costs in excess of the larger of the LCAP or the real-time energy price for the resource. ERCOT must utilize existing settlement processes to the extent possible to verify the resource entity's costs for reimbursement.
- (c) **Development and implementation.** ERCOT must use a stakeholder process, in consultation with commission staff, to develop and implement rules that comply with this section. Nothing in this section prevents the commission from taking actions necessary to protect the public interest, including actions that are otherwise inconsistent with the other provisions in this section.