



# Nodal Guardrails

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# Issue

- How to guard against unforeseen issues with nodal market operation shortly after go-live?
- Former PUC Chairman Paul Hudson suggested cost-based offer limitations
  - Designed to limit “price excursions” at cut-over
  - Similar to provisions adopted by MISO

# ERCOT NPRR091

- Submitted by Nodal Transition Plan Task Force in December 2007
- Two major provisions:
  - Deemed all constraints as non-competitive for first 30 days after go-live
  - Set an appropriate System-Wide Offer Cap (to be determined) for first 45 days after go-live

# PUC Rulemaking

- January 2008 - IMM noted that lower SWCAP may require PUC rule amendments
- February 2008 - PUC Staff initiated Project No. 35392 for consideration of potential amendments

# PUC Rulemaking

- Proposed rule amendments published in April 2010
- Two major provisions:
  - ERCOT may deem all constraints as non-competitive for first 45 days after go-live
  - ERCOT may impose lower System-Wide Offer Cap for first 45 days after go-live
    - But cap may not be set so low that a resource would be required to offer service below marginal cost

# PUC Rulemaking

- Preamble articulated five requirements for any guardrails adopted by ERCOT:
  - Short duration
  - Limited or no system changes
  - Facilitate diagnosis of startup issues
  - Market-based resolution of energy balance and congestion conditions
  - Allow resources to cover marginal production cost

# PUC Rulemaking

- PUC adopted published rule amendments without changes in July 2010

# ERCOT NPRR091

- Approved by ERCOT Board on August 17, 2010
- Deems all constraints as non-competitive for first 45 days after go-live
- Establishes an Energy Offer Curve floor of - \$50 per MWh for the first 45 days after go-live

# ERCOT NPRR091

- Sets System-Wide Offer Cap at higher of \$180 per MWh or 18 mmBtu per MWh times the Fuel Index Price for first 45 days after go-live
- Resources that burn fuel oil rather than natural gas may dispute cap if resource's settlement price point does not cover cost
  - If dispute approved by ERCOT, change in cost uplifted on load-ratio share basis