NOTICE DATE: May 7, 2020

NOTICE TYPE: M-A050720-01 Legal

SHORT DESCRIPTION: Resolution of ADR Proceedings between ERCOT and Exelon Generation Company, LLC (ADR No. 2019-EGC-01)

INTENDED AUDIENCE: All Market Participants

DAY AFFECTED: September 6, 2019

LONG DESCRIPTION: Upon ERCOT's determination of the disposition of an Alternative Dispute Resolution (ADR) proceeding, ERCOT Protocol Section 20.9 requires ERCOT to issue a Market Notice providing a description of the relevant facts, a list of the parties involved in the dispute, and ERCOT's disposition of the proceeding and reasoning in support thereof.

Parties: ERCOT and Exelon Generation Company, LLC (Exelon)

Relevant Facts:

The Tenaska Frontier Generation Station (Frontier) is a Combined-Cycle Train owned by Tenaska Frontier Partners, Ltd. that consists of three combustion turbines and one steam turbine. Frontier is a Switchable Generation Resource (SWGR) that is interconnected to both the ERCOT Region and the Midcontinent Independent System Operator (MISO) Region. Exelon Generation Company, LLC (Exelon) purchases Frontier's total output and markets the power in both regions. Constellation, a subsidiary of Exelon, serves as the Qualified Scheduling Entity (QSE) for Exelon regarding Frontier.

On September 6, 2019, at 04:50, ERCOT issued an Operating Condition Notice (OCN) stating that ERCOT projected a reserve capacity shortage for that day during the hours ending 14:00 through 18:00. Shortly after issuing the OCN, the ERCOT control room intiated a hot-line call with all QSEs to advise them of the OCN.

Later that same day, the following events at issue in this ADR occurred:

ERCOT contacted MISO to inquire whether one of Frontier's CT units would be available to switch into the ERCOT Region. Frontier had two CT units operating in MISO at that time. MISO released Frontier CT3 to ERCOT.

At 13:57, ERCOT called Exelon and stated that it was "declaring an anticipated emergency condition" and "issuing an operating instruction to initiate the switch and start Frontier CT3 into ERCOT," and that "ERCOT would issue an electronic dispatch instruction to commit the Resource."

At 14:40, ERCOT issued an Advisory due to Physical Responsive Capability falling below 3000 MW.

At 14:57, Exelon called the ERCOT Resource Desk to inquire why Frontier's "set point" was only 625 MW and whether it was "being capped right now." The ERCOT Resource Desk operator stated that he was "not really sure" why Exelon's Base Point was 625 MW. Exelon noted that it had taken Frontier out of AGC and would hold at current output until additional clarity could be provided, given situational awareness of current ERCOT emergency conditions. ERCOT stated that Exelon's current output was "not affecting reliability" and that "you can continue at that" while ERCOT investigated the reason for the base point being at 625 MW.

At 15:25, ERCOT called Exelon and instructed it to "follow your SCED Base Point." At 15:39, Exelon called the ERCOT Resource Desk stating that it had been following the Base Point, but the Base Point continued to go down. Exelon questioned why the Base Point was going down when prices were high. ERCOT replied that it did not know why it was going down but Exelon should "continue to follow your Base Point" and ERCOT will call when it determines the reason for the decrease.

At 15:43, Exelon called the ERCOT Real-Time Desk, noting that the Base Point continued to decrease and asked if Frontier was being treated as a RUC-committed unit. The ERCOT operator responded that he was unsure about the reason for the lower Base Point but was investigating the issue. However, the ERCOT operator instructed Exelon to continue to follow the SCED Base Point.

At 16:17, ERCOT called to inform Exelon that Frontier CT3 was released back to MISO and by 16:38, Frontier CT3 was no longer connected to the ERCOT Region.

<u>Exelon's ADR Claims</u>:

Exelon's ADR Request asserts the following four claims for relief:

> 1. The entire Frontier station had to be physically moved down in output to facilitate the swapping of the CT from the MISO to the ERCOT grid. Constellation lowered the output and the HSL down from 530MW to accomplish this.
>
> 2. Once the CT had been swapped, the HSL was changed to 680MW. The plant moved up to the top per its EOC and LMP. Then ERCOT began to treat the unit, including the 530MW that was not switched, like a RUC and mitigated the entire unit down.
>
> 3. A Verbal Dispatch Instruction (VDI) was given by ERCOT to swap the CT back to the MISO grid. The entire Frontier station had to be physically moved down in output in order to facilitate the swapping of the CT from the ERCOT to the MISO grid. Constellation lowered the output and the HSL down from 680MW to a level below 530MW to accomplish this.
>
> 4. The basepoint did not move up to where it should have been per its EOC and the LMPs due to it being treated as a RUC. Constellation received no RUC instruction, but was issued a VDI.

<u>ERCOT's Disposition/Reasoning</u>:

ERCOT has determined that the appropriate disposition of this ADR proceeding is to deny all of Exelon's requests for relief. Each of Exelon's four claims is addressed below.

<u>Claims 1 and 3</u>

Claims 1 and 3 assert essentially the same complaint—that Frontier's steam turbine operating in ERCOT was forced to lower its output when CT3 was switched back and forth between MISO and ERCOT. To switch CT3, Exelon had to shut down CT3 and then restart it once it switched into the other Control Area. While CT3 was operating, it provided support to the Frontier steam turbine operating in ERCOT. When CT3 was ramping down, the steam turbine's output was decreased.

SWGRs that are directed to switch to address an actual or anticipated Energy Emergency Alert (EEA) condition are settled in accordance with ERCOT Protocols Sections 6.6.12 and 6.6.12.1. Claims 1 and 3 do not seek amounts that are permitted for a Switchable Generation Make Whole Payment under those sections. Because the current ERCOT Protocols do not authorize recovery of the losses sought in claims 1 and 3, these claims must be denied.[1]

Following the events leading to this ADR, ERCOT submitted Nodal Protocol Revision Request (NPRR) 1019, titled "Pricing and Settlement Changes for Switchable Generation Resources (SWGRs) Instructed to Switch to ERCOT" that, if approved, would include costs of the type sought under Exelon's claims 1 and 3 in the cost guarantee used to calculate the Switchable Generation Make Whole Payment in the future. To date, the language of NPRR1019 has received initial approval by the Protocol Revision Subcommittee (PRS).

<u>Claim 2</u>

Claim 2 asserts that, after CT3 switched to ERCOT, SCED improperly dispatched Frontier as a RUC-committed unit. Because the commitment of Frontier was recognized as a RUC, SCED overrode Exelon's Energy Offer Curve (EOC) and imposed an offer floor of $1500, resulting in lower Base Points than it would have received in the absence of the offer floor. Exelon alleges that Frontier had a High Sustained Limit (HSL) of 680 MW and should have been deployed at its HSL, given the prevailing scarcity conditions. Exelon indicated that it was not clear that the instruction was a RUC and noted that it inquired several times with the ERCOT control room on this matter, but ERCOT operators were unable to state whether or not the unit was being RUC'd.

ERCOT finds that Frontier was deployed correctly by SCED as a RUC- committed Resource. The deployment is consistent with ERCOT Protocols Section 5.1(12) that states any Dispatch Instruction to commit a specific Generation Resource to be on-line is a "RUC Dispatch."[2] Section

---

[1] ERCOT Protocols Section 20.1(1) provides that the ADR procedure only applies to a "claim by a Market Participant that ERCOT has violated or misinterpreted any law, including any statute, rule, Protocol, Other Binding Document, or Agreement, where such violation or misinterpretation results in actual harm, or could result in imminent harm, to the Market Participant."

[2] ERCOT Protocols Section 5.1(12) provides as follows: "After the use of market processes to the fullest extent practicable without jeopardizing the reliability of the ERCOT System, **any ERCOT Dispatch Instructions for additional capacity that order a QSE to commit a specific Generation Resource to be On-Line shall be considered a RUC**

6.6.12(1) also characterizes an instruction to switch to the ERCOT Control Area to address an EEA as a "RUC instruction." While ERCOT's control room communications with Exelon in this case could have been clearer, they are not a valid basis for granting Exelon's claim.[3] Any allegation that neither Exelon nor the ERCOT operators may have fully understood the meaning and consequences of the VDI does not change the Protocols' characterization of the instruction as a RUC and does not affect ERCOT's responsibility under the Protocols to settle it as such.[4]

Finally, ERCOT notes that, as a SWGR subject to a RUC instruction for an EEA, Exelon was eligible to submit a dispute for a make-whole payment to recover financial losses incurred pursuant to Sections 6.6.12 and 6.6.12.1. Unlike other RUC Resources, as a SWGR subject to a RUC instruction for an EEA, the Frontier unit was not subject to the RUC clawback charges, and the SWGR is eligible to retain ancillary service imbalance revenues.

<u>Claim 4</u>

Claim 4 asserts that Exelon was improperly assessed Base Point Deviation Charges because the Base Points issued by SCED were incorrect. Exelon claims that SCED overrode its EOC because Frontier was incorrectly treated as a RUC.

Claim 4 is based upon the same underlying premise as claim 2—that Frontier was not committed through a RUC instruction but was instead issued some other form of VDI and therefore should not have been treated as a RUC-committed unit by SCED. As discussed above regarding claim 2, ERCOT finds that the instruction was a RUC, and that Frontier was validly treated as a RUC by SCED.

ERCOT Protocols Section 6.6.5.1(1) states that a Resource must pay a Base Point Deviation Charge if it "did not follow Dispatch Instructions and Ancillary Service deployments within defined tolerances." Exelon did not follow the SCED-issued Base Points for the intervals at issue and therefore was appropriately assessed Base Point Deviation Charges. Further, the control room communications between ERCOT and Exelon during the time period of 14:57 to 15:43 did not constitute a VDI and did not excuse Exelon from incurring Base Point Deviation Charges.[5] As such, Claim 4 must be denied.

For the foregoing reasons, ERCOT denies claims 1 through 4 in Exelon's ADR Request. This Market Notice serves to conclude the ADR proceedings between ERCOT and Exelon.

Dispatch for the purpose of the Settlement of payments and charges related to the committed Generation Resource." (emphasis added).

[3] ERCOT Control Room Operations has reviewed the ERCOT operators' communications with Exelon in this case and made changes to the language of relevant operator scripts.

[4] *See* 16 TAC § 25.503(f)(1)("Each market participant shall be knowledgeable about ERCOT procedures."); *see also* 16 TAC § 25.503(i)(6)("A market particpant may freely communicate informally with ERCOT employees, however, the opinion of an individual ERCOT staff member not issued as an official interpretation of ERCOT pursuant to this subsection may not be relied upon as an affirmative defense by a market participant.")

[5] Nodal Operating Guide Section 3.1.3 describes some of the requirements of a VDI, which includes a three-part communication: ERCOT must communicate a specific instruction, the QSE must repeat back the VDI to ERCOT, and ERCOT must confirm the response is correct.

CONTACT: If you have any questions, please contact your ERCOT Account Manager. You may also call the general ERCOT Client Services phone number at (512) 248-3900 or contact ERCOT Client Services via email at ClientServices@ercot.com.