

NOTICE DATE: February 11, 2022

NOTICE TYPE: M-A050720-01 Legal

SHORT DESCRIPTION: Resolution of ADR Proceedings between ERCOT and Engie Energy Marketing NA, Inc. (ADR No. 2021-EEM-01)

INTENDED AUDIENCE: Market Participants

DAY AFFECTED: February 16-19, 2021

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 Engie Energy Marketing NA, Inc. (Engie). Viridity Energy Solutions, Inc. (Viridity), Basa Resources, Inc., and Engie Resources, Inc. were listed as affected parties.

Relevant Facts:

Engie is a Qualified Scheduling Entity (QSE) that represents Load Serving Entities (LSEs). Engie had an obligation to provide 27 MW of Responsive Reserve (RRS) during February 15-19, 2021.¹ To meet this obligation, Engie had a contract with Viridity to purchase a 27 MW block of RRS supply from Load Resources represented by Viridity. BASA Resources, Inc. owned the Load Resources.

On February 15, Engie properly reported the RRS obligation as being self-arranged and properly submitted its trade with Viridity. That day at 01:23, ERCOT instructed Viridity to deploy the 27 MW of RRS. Thereafter, Engie's self-arrangement for the RRS obligations and trades with Viridity were not reported in ERCOT's Energy and Market Management System (EMMS) for February 16-19. For those dates, either the RRS obligation was not reported as self-arranged and/or matching trades were not submitted by Engie and Viridity for the 27 MW RRS obligation. As a result, ERCOT's systems did not reflect that Viridity was obligated to provide RRS on behalf of Engie for February 16-19.

The table below reflects the relevant submissions by Engie and Viridity for the February 16-19 time-period.

2/05/2021 20:29	ENGIE submitted Self-Arranged AS for OD 2/16-18/2021 via API
2/11/2021 13:46	ENGIE submitted Self-Arranged AS for OD 2/19-20/2021 via API
2/12/2021 13:52	ENGIE submitted AS-trade for OD 2/16/2021 via API (VIRIDITY did not submit AS-trade)

¹ Engie's initial ADR request filing lists operating days February 16-20 as being at issue, but Engie subsequently confirmed via email that February 20 is not at issue. The only operating days at issue are February 16-19, 2021.

2/12/2021 14:21	ENGIE submitted AS-trade for OD 2/17/2021 via API (VIRIDITY did not submit AS-trade)
2/15/2021 06:25	ENGIE submitted AS-trade for OD 2/18/2021 via API (VIRIDITY did not submit AS-trade)
2/15/2021 07:08	ENGIE submitted AS-trade for OD 2/19/2021 via API (VIRIDITY did not submit AS-trade)
2/16/2021 08:39	ENGIE canceled Self-Arrangement for OD 2/17/2021 via MMSUI
2/16/2021 08:43	ENGIE canceled AS-trade for OD 2/17/2021 via MMSUI
2/16/2021 10:00	Day-Ahead Market (DAM) close for OD 2/17/2021
2/17/2021 08:46	ENGIE canceled Self-Arrangement for OD 2/18/2021 via MMSUI
2/17/2021 08:48	ENGIE canceled AS-trade for OD 2/18/2021 via MMSUI
2/17/2021 09:52	ENGIE submitted AS-trade for OD 2/20/2021 via API (VIRIDITY did not submit AS-trade)
2/17/2021 10:00	DAM close for OD 2/18/2021
2/18/2021 06:35	ENGIE canceled Self-Arrangement for OD 2/19/2021 via API
2/18/2021 06:38	ENGIE canceled AS-trade for OD 2/19/2021 via API
2/18/2021 10:00	DAM close for OD 2/19/2021

As reflected by the table above, as of February 15, Engie properly reported its RRS obligation as self-arranged and submitted its trades with Viridity for all the dates during the February 16-19 time-period. However, Viridity did not submit a matching trade with Engie for any of the dates at issue. On February 15, Engie learned that the trade it reported for February 16 was not valid. Engie contacted Viridity about the trade mismatch and Viridity asserted that it could not schedule their trades for February 16 or any subsequent date until ERCOT recalled its RRS deployment from February 15. Beginning on February 16, Engie proceeded to cancel each report of self-arrangement and corresponding trade submitted for the February 17-19 time-period on the date before each of the applicable operating days. During the February 16-19 time-period, Viridity's Load Resources remained off-line and Viridity's telemetry and Current Operating Plans (COPs) submitted for its Load Resources reflected a resource status code of "OUTL." Engie claims that it called the ERCOT control room on February 15 and asked for guidance on how to report its RRS obligation. Engie complains that ERCOT's control room operator did not offer guidance regarding how it should schedule RRS trades during the multi-day RRS deployment.

Engie's ADR filing alleged damages in the amount of \$54,000,000.00. However, information provided subsequently by Engie asserts that it incurred the following costs for the February 16-19 time-period relating to RRS:²

Feb. 16	\$11,606,260.50
Feb. 17	\$13,447,634.00
Feb. 18	\$13,399,514.00
Feb. 19	<u>\$10,199,218.00</u>
TOTAL:	\$48,652,626.50

Engie filed a settlement and billing dispute regarding the issues in this ADR, which ERCOT denied. Engie filed this ADR challenging the denial of its settlement and billing dispute.

ERCOT's Disposition/Reasoning:

ERCOT has determined that the appropriate disposition of this ADR proceeding is to deny Engie's request for relief.

RRS is an Ancillary Service that is intended to resolve frequency decay or deviation, provide back-up regulation, and provide energy or continued Load interruption during an Energy Emergency Alert (EEA).³ To meet the requirements in ERCOT's Ancillary Service Plan, ERCOT assigns each QSE that represents an LSE an obligation to provide Ancillary Services, including RRS, as needed for every hour of each day based on the LSE's Load Ratio Shares (LRSs).⁴ A QSE that has an obligation to provide RRS for a particular hour must provide the RRS itself or make arrangements for another Entity to provide it (these options are referred to as "self-arrangement") or ERCOT will procure the assigned amount of RRS in the DAM on the QSE's behalf.⁵ If ERCOT procures RRS on behalf of a QSE that did not self-arrange to meet its obligation, then the QSE will be assessed charges to off-set the cost of procuring the service in the DAM.⁶

Engie was permitted under ERCOT Protocols to self-arrange all or a portion of its 27 MW RRS obligation through the use of an Ancillary Service (A/S) trade.⁷ However, on the day before the obligation, Engie was required to indicate before 10:00 the extent to which its RRS obligation was self-arranged so that ERCOT could determine how much RRS it needed to obtain in the DAM.⁸ By 2:30, on the day before the obligation, both Engie and Viridity were required to confirm the trade

² The costs alleged for February 16 consist of failure to provide charges and appear to be correct. The costs at issue for February 17-19 consist of increased net total costs for RRS and these amounts do not match the amounts reflected by ERCOT's data. ERCOT's initial review of the alleged costs for February 16-19 reflects a total amount of approximately \$47.7 million. Because ERCOT has determined that Engie's claims should be denied, this Market Notice does not provide a detailed analysis of the methods of calculating the alleged damages. It should also be noted that if Engie's ADR were granted, then Viridity's settlement would need to be adjusted to add A/S imbalance charges that were not assessed because there was no valid trade submitted for the time-period at issue.

³ ERCOT Protocols § 2.1 (definition of Responsive Reserve).

⁴ See *id.* at § 4.2.1.2(1).

⁵ See *id.* at §§ 4.4.7.1(1) and 4.4.7.1(8).

⁶ See *id.* at §§ 6.4.9.1.3(1); 6.4.9.1.3(3); and 6.7.4(1).

⁷ See *id.* at §§ 4.4.7.1(1) and 4.4.7.1(6).

⁸ *Id.* at § 4.4.7.1(2).

before the trade would be considered valid and used in ERCOT processes.⁹ ERCOT was required to procure RRS to cover Engie's obligation if Engie did not properly report that its obligation was self-arranged.¹⁰

Engie's trade with Viridity was not properly reported for its RRS obligation on February 16 because, though Engie reported the obligation for that date as self-arranged and submitted the trade, Viridity did not submit a matching trade. As a result, the trade was invalid and could not be used by ERCOT.¹¹ Because there was no valid A/S trade submitted, the obligation to provide RRS remained with Engie and was not transferred to Viridity.¹² On the date before each of the other applicable operating days, Engie canceled its report of self-arrangement and canceled the A/S trades it had submitted for the February 17-19 time-period. Engie therefore failed to properly report that its RRS obligations were self-arranged and failed to submit trades for February 17-19. Given the circumstances, ERCOT procured RRS on Engie's behalf in the DAM for the February 17-19 time-period.¹³

Engie asserts that ERCOT received the benefit of Engie's RRS obligation because Viridity's Load Resources were deployed on February 15 and remained deployed until February 19, effectively providing the RRS. However, this argument ignores the fact that Engie's actions affected the market and settlement of other QSEs regarding ERCOT's RRS procurement for that time-period. If Engie's ADR were granted, it would result in increased costs being invoiced to all other QSEs for whom ERCOT procured RRS in the DAM to make up for Engie's share of the total RRS costs for February 17-19.¹⁴ Further, the information submitted to ERCOT during the deployment contradicts the characterization that Viridity's Load Resources were subject to an RRS deployment during the February 16-19 time-period. After February 16 at 12:01, Viridity did not show any RRS obligation in the real-time telemetry submitted on behalf of any of its Load Resources. The COPs submitted by Viridity during that time-period also did not reflect that the Load Resources were subject to RRS obligations as required by ERCOT Protocols.¹⁵

Engie's allegations regarding phone communications with the ERCOT control room do not provide a valid basis for Engie's claim. It is not the ERCOT control room operator's responsibility to direct Market Participants on how to manage their offers or trades during an Emergency Condition. Engie was responsible for understanding how to properly document its RRS trade with Viridity in MMS.¹⁶ The DAM and ERCOT's systems were functioning properly – the market was not suspended or restarted during the dates at issue.¹⁷ There were other QSEs representing Load

⁹ *Id.* at § 4.4.7.3.1(2).

¹⁰ *Id.* at § 4.4.7.1(7).

¹¹ *Id.* at § 4.4.7.3.1(2).

¹² *See id.* at § 4.4.7.3(1) (“An Ancillary Service Trade is the information for a QSE-to-QSE transaction that transfers an obligation to provide Ancillary Service capacity between a buyer and a seller.”)

¹³ *See id.* at § 4.4.7.1(7).

¹⁴ Granting Engie's ADR would also increase the total amount of RRS costs for February 16 to be invoiced amongst the other QSEs because the failure to provide charges paid by Engie for that date were deducted from that total RRS amount. ERCOT would have to recalculate the total RRS procurement amount for February 16 and invoice the other QSEs for their share of the increased amount.

¹⁵ *See id.* at § 4.4.7.4(3) (“By 1430 in the Day-Ahead, the QSE must notify ERCOT, in the QSE's COP, which Resources represented by the QSE will provide the Ancillary Service capacity necessary to meet the QSE's Ancillary Service Supply Responsibility, specified by Resource, hour, and service type.”)

¹⁶ *See* 16 TAC § 25.503(f)(1) (“Each market participant shall be knowledgeable about ERCOT procedures.”)

¹⁷ *See generally id.* at § 25 (describing the procedures for Market Suspension and Restart).

Resources who were similarly deployed on February 15 for RRS and required to remain off-line during February 16-19 who properly submitted offers into DAM for RRS and were compensated accordingly for those dates. Further, the relevant control room recordings do not reflect ERCOT instructing Engie to cancel its self-arrangement report or that it should not submit its trades with Viridity into MMS. Even if ERCOT had incorrectly advised Engie on how to report self-arrangement or submit its trades with Viridity, that conversation with the ERCOT control room would not relieve Engie of its RRS obligations.¹⁸

Engie has not demonstrated that ERCOT violated any obligation under the ERCOT Protocols or other applicable law.¹⁹ As a result, the claims asserted by Engie are denied. This Market Notice serves to conclude the ADR proceedings between ERCOT and Engie.

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.

¹⁸ See 16 TAC § 25.503(i)(6) (“A market participant 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.”)

¹⁹ 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.”