

**NOTICE DATE:** February 28, 2022

**NOTICE TYPE:** M-A050720-01 Legal

**SHORT DESCRIPTION:** Resolution of ADR Proceedings between ERCOT and Priority Power Management, LLC (ADR No. 2021-PPM-01)

**INTENDED AUDIENCE:** All Market Participants

**DAY AFFECTED:** February 15-19, 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 Priority Power Management, LLC (PPM).

**Relevant Facts:**

PPM is a Qualified Scheduling Entity (QSE) that represents Resource Entities that have Load Resources. On February 15, 2021, at 1:09 a.m., some of the Load Resources represented by PPM had a Responsive Reserve (RRS) responsibility during all hours of the February 16-19 time-period and were deployed to provide RRS during Winter Storm Uri.<sup>1</sup>

Because the Load Resources were deployed to provide RRS, PPM incurred Ancillary Service (A/S) Imbalance Charges for the intervals during which the Load Resources were deployed on February 15-19. The underlying source of the A/S Imbalance Charges at issue were the Real-Time Reliability Deployment Ancillary Service Imbalance Amount (RTRDASIAMT) and the Real-Time Ancillary Service Imbalance Amount (RTASIAMT).<sup>2</sup> PPM disputes the A/S Imbalance Charges incurred during the February 15-19 time period. PPM complains that the Load Resources at issue were deployed in excess of the limitations contained in the Resource Asset Registration Forms (RARFs) for the Load Resources.

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<sup>1</sup> On February 15, PPM had an RRS responsibility of 137MW for all hours of the February 16-19 time-period. On February 18, PPM sought a waiver for part its RRS responsibility because certain Load Resources were critical gas infrastructure. ERCOT granted a waiver of the RRS responsibility for the critical gas infrastructure (which consisted of 105.9 MW) beginning February 18 at 16:54 through February 19 at 10:45. During this period PPM had a remaining RRS responsibility of 31.1MW. For all other periods outside of the waiver period PPM's RRS responsibility was 137MW.

<sup>2</sup> RTRDASIAMT is defined as: "The total payment or charge to QSE q for the Real-Time Ancillary Service imbalance associated with Reliability Deployments for each 15-minute Settlement Interval." ERCOT Protocols § 6.7.5(7). RTASIAMT is defined as: "The total payment or charge to QSE q for the Real-Time Ancillary Service imbalance associated with Operating Reserve Demand Curve (ORDC) for each 15-minute Settlement Interval." *Id.*

PPM filed settlement and billing disputes regarding the A/S Imbalance Charges and ERCOT denied the disputes. PPM initiated this ADR to challenge the denial of the settlement and billing disputes and seeks relief in the total amount of \$66,015,112.62 for the February 15-19 time-period.<sup>3</sup>

**ERCOT's Disposition/Reasoning:**

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

PPM contends that it should not have been assessed the A/S Imbalance Charges at issue. However, ERCOT Protocols require that when a Resource is deployed to provide an Ancillary Service, like RRS, the QSE will incur A/S Imbalance Charges for all intervals during which the Resource is deployed.<sup>4</sup> It is undisputed that the A/S Imbalance Charges were assessed for intervals during which PPM was deployed for RRS. PPM claims that the length of the RRS deployment exceeded deployment limits listed in the RARFs for the Load Resources. Even if the RARFs for the Load Resources contained limitations that were exceeded during the deployment, such limitations do not restrict the actions ERCOT may take to preserve the integrity of the ERCOT System.<sup>5</sup> ERCOT Protocols Section 6.5.7.6.2.2(8) contemplates the extended deployment of RRS during an Emergency Condition and provides as follows:

Once RRS is deployed, the QSE's obligation to deliver RRS remains in effect until specifically instructed by ERCOT to stop providing RRS. However, except in an Emergency Condition, the QSE's obligation to deliver RRS may not exceed the period for which the service was committed.

The above language reflects that, in an Emergency Condition,<sup>6</sup> a QSE representing Resource Entities that are Load Resources that have been deployed for RRS may not restore Load until recalled by ERCOT.<sup>7</sup> Even if a QSE's Load Resources are not carrying an RRS responsibility during a given hour, if necessary to preserve reliability, ERCOT may instruct the Load Resource to remain off-line until conditions improve.<sup>8</sup> For example, if a QSE representing a Resource Entity's Load Resources offered to provide RRS for only one hour on a given day and was deployed during that hour, in an Emergency Condition, the Load Resources might be required to remain off-line for the remaining hours of the day if necessary. When a QSE representing a Resource Entity's Load Resources assumes an RRS responsibility, there is a risk that if an Emergency Condition occurs the Load Resources may be deployed and required to remain off-line longer than the QSE anticipated.

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<sup>3</sup> Because ERCOT has determined that PPM's claims should be denied, this Notice does not analyze the method of calculating the alleged damages.

<sup>4</sup> See ERCOT Protocols § 6.7.5(1)-(7).

<sup>5</sup> See *id.* at § 6.5.1.1(1)(e) (authorizing ERCOT to "Perform additional actions required to prevent an imminent Emergency Condition or to restore the ERCOT Transmission Grid to a secure state in the event of an ERCOT Transmission Grid Emergency Condition."); and *id.* at § 6.5.9.1(2) ("However, these Protocols do not preclude ERCOT from taking any action to preserve the integrity of the ERCOT System.").

<sup>6</sup> Emergency Condition is defined as "An operating condition in which the safety or reliability of the ERCOT System is compromised or threatened, as determined by ERCOT." ERCOT Protocols § 2.1.

<sup>7</sup> There are different types of Resources that deliver RRS in different ways. The phrase "deliver RRS" as used in this section should be interpreted as "remain off-line" in the context of Non-Controllable Load Resources providing RRS.

<sup>8</sup> See *id.* at § 6.5.9.1(2) ("It is anticipated that, with effective and timely communication, the market-based tools available to ERCOT will avert most threats to the reliability of the ERCOT System. However, these Protocols do not preclude ERCOT from taking any action to preserve the integrity of the ERCOT System.").

Further, if an Emergency Condition rises to EEA Level 3, Load Resources may be subject to Load shed, the same as any other Load on the ERCOT System, to preserve reliability.

PPM does not dispute ERCOT's authority to extend the length of the RRS deployment beyond the limits listed in the RARF during an Emergency Condition. However, PPM argues that the Protocols do not authorize ERCOT to assess A/S Imbalance Charges for intervals occurring after the deployment has exceeded the Resources' maximum deployment time. ERCOT disagrees. PPM entered into trades with counter-parties to voluntarily assume the financial obligations and RRS responsibilities at issue and confirmed those trades in the Energy and Market Management System (EMMS). PPM could have canceled the trades during the Adjustment Period and eliminated the underlying RRS responsibilities for the A/S Imbalance Charges assessed during the relevant time-period. If PPM had timely canceled the trades, the Load Resources would have been required to remain off-line for reliability purposes, but it would not have incurred the A/S Imbalance Charges at issue in this ADR.<sup>9</sup> The Day-Ahead Market (DAM) and the Real-Time Market (RTM) were functioning properly – they were not suspended or restarted during the dates at issue.<sup>10</sup>

ERCOT Protocols, Section 6.7.5, requires that ERCOT calculate A/S Imbalance Charges and assess the charges to QSEs based on certain criteria. One of the criteria upon which A/S Imbalance Charges are based includes “[t]he amount of Ancillary Service Resource Responsibility for Reg-Up, RRS and Non-Spin for all Generation and Load Resources represented by the QSE for the 15-minute Settlement Interval.”<sup>11</sup> It is undisputed that PPM had A/S responsibilities for RRS during all intervals in which it incurred the A/S Imbalance Charges at issue. There is no language in the ERCOT Protocols exempting QSEs from A/S Imbalance Charges for any intervals during which a QSE had an RRS responsibility and the Resource was deployed in excess of its maximum deployment time during an Emergency Condition. The formulas utilized by ERCOT to calculate the amount of the A/S Imbalance Charges are clearly established in the ERCOT Protocols.<sup>12</sup> It is undisputed that ERCOT applied the formulas in the ERCOT Protocols in calculating the A/S Imbalance Charges assessed to PPM.

ERCOT has analyzed the underlying data upon which the A/S Imbalance Charges incurred by PPM were based and determined that they were calculated correctly. PPM has not identified any error in the calculations and has not demonstrated that ERCOT violated any obligation under the ERCOT Protocols or other applicable law.<sup>13</sup> As a result, the claims asserted by PPM are denied. This Market Notice serves to conclude the ADR proceedings between ERCOT and PPM.

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<sup>9</sup> If PPM canceled the trades, then the counter-party with the original RRS obligation, presumably a Load Serving Entity (LSE), would have incurred 'failure to provide' charges if it was unable to arrange for the RRS obligation to be covered by itself or another QSE. PPM made the choice to fulfill its contractual obligations with its counter-parties, preventing those counter-parties from incurring failure to provide charges, and now is attempting to escape the A/S Imbalance Charges that are associated with the RRS obligations. If this ADR were granted, then the failure to provide charges would need to be assessed against the counter-party.

<sup>10</sup> See generally *id.* at § 25 (describing the procedures for Market Suspension and Restart).

<sup>11</sup> *Id.* at § 6.7.5(2)(c).

<sup>12</sup> See *id.* at § 6.7.5(7).

<sup>13</sup> 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.”

**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](mailto:ClientServices@ercot.com).