

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Interested Parties

**FROM:** Julia Harvey, Competitive Markets Division  
Mark Bryant, Competitive Markets Division  
Ralph Daigneault, Legal Division

**DATE:** January 13, 2017

**RE:** **Project No. 46369 – Rulemaking Relating to Reliability Must-Run Service – Second Strawman and Request for Comment**

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Commission Staff invites interested parties to file written comment on the attached strawman proposal, which establishes new provisions regarding Reliability Must-Run (RMR) service and Must-Run Alternative (MRA) resources. Having already received comment on modifications to the notice period for notification of suspension of operations and the complaint timeline, Staff requests that comments filed in response to this request address only the amendments identified in the attached strawman. Staff notes that this strawman does not encompass all amendments to be considered by the Commission in the Proposal for Publication in this project.

At the December 14, 2016 workshop held in this project, discussion in part focused on perceived flaws with the MRA resource procurement process. Thus Staff additionally invites comments on the following questions pertaining to MRA resources:

- Should eligible MRA resources be limited to demand-side resources (for example, those defined in P.U.C. Subst. R. §25.5(29)) and Emergency Response Service (ERS) resources?
- Should generators subject to RMR service be prohibited from submitting proposals to provide MRA resources to replace that RMR service?
- What other limitations, if any, should be imposed to ensure that entities do not receive windfall profits from providing MRA resources?

Initial comments are due February 3, 2017. Reply comments are due February 17, 2017. Parties may file comments by submitting 16 copies to the Commission's Filing Clerk, Public Utility Commission of Texas, 1701 North Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326.

Please contact Julia Harvey at (512) 936-7371 or [julia.harvey@puc.texas.gov](mailto:julia.harvey@puc.texas.gov) with additional questions.



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

**Subchapter S. WHOLESALE MARKETS.**

1 **§25.502. Pricing Safeguards in Markets Operated by the Electric Reliability Council of**  
2 **Texas.**

3  
4 (a) **[no change]**

5  
6 (b) **[no change]**

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8 (c) **Definitions.** The following terms, when used in this section, shall have the following  
9 meanings, unless the context indicates otherwise.

10 (1) **Competitive constraint** – A transmission element on which prices to relieve  
11 congestion are moderated by the normal forces of competition between  
12 multiple, unaffiliated resources.

13 (2) **Generation entity** – an entity that owns or controls a generation resource.

14 (3) **Market location** – the location for purposes of financial settlement of a service  
15 (*e.g.*, congestion management zone in a zonal market design or a node in a  
16 nodal market design).

17 (4) **Must-run alternative (MRA) resource** – a resource selected by ERCOT as  
18 an alternative to a resource providing reliability must-run service.

19 (54) **Noncompetitive constraint** – A transmission element on which prices to  
20 relieve congestion are not moderated by the normal forces of competition  
21 between multiple, unaffiliated resources.

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1        (6) Reliability must-run (RMR) service – a service provided by a generation  
2        resource to meet a reliability need resulting from the cessation or suspension  
3        of operations of that generation resource for a period of greater than 180  
4        calendar days.

5        (75) **Resource** – a generation resource, or a load capable of complying with  
6        ERCOT instructions to reduce or increase the need for electrical energy or to  
7        provide an ancillary service (*i.e.*, a “load acting as a resource”).

8        (86) **Resource entity** – an entity that owns or controls a resource.

9  
10    (d)    **[no change]**

11  
12    (e)    (1) – (3)

13        (4) Evaluation of RMR service and alternatives. ERCOT shall have discretion  
14        to evaluate the need for RMR service and the procurement of MRA resources  
15        and may decline to enter into an RMR or MRA agreement based on its  
16        evaluation, subject to the requirements of paragraph (5) of this subsection.  
17        ERCOT may consider the economic value of lost load in its evaluation.

18        (5) Approval of RMR agreements and alternatives. ERCOT shall present its  
19        evaluation and recommendations regarding the need for RMR service or MRA  
20        resources to the ERCOT governing board. All RMR or MRA agreements shall  
21        be subject to approval by the ERCOT governing board. If, in its final

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1                   determination, ERCOT identifies a need for RMR service but declines to enter  
2                   into an RMR or MRA agreement, ERCOT's decision shall be subject to  
3                   approval by the ERCOT governing board.

4                   (6) **Refund of contributed capital expenditures.** Contributed capital  
5                   expenditures made to a generation entity subject to RMR service or to an entity  
6                   that owns or controls an MRA resource shall be refunded to ERCOT if that  
7                   resource continues to participate in the energy or ancillary services markets  
8                   after the termination of its RMR or MRA agreement with ERCOT.

9                   (7) **Implementation.** ERCOT, through its stakeholder process, shall establish  
10                   procedures and rules to implement this subsection.

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12                   (f)    **[no change]**