

CHAPTER 25. SUBSTANTIVE RULES APPLICABLE TO ELECTRIC SERVICE PROVIDERS.

Subchapter S. WHOLESALE MARKETS.

§25.509. Scarcity Pricing Mechanism for the Electric Reliability Council of Texas Power Region.

- (a) **Definitions.** The following terms, when used in this section, have the following meanings, unless the context indicates otherwise:
- (1) **Emergency operations** -- ERCOT entering into any level of Energy Emergency Alert.
 - (2) **Generation entity** -- an entity that owns or controls a generation resource.
 - (3) **Generation resource** -- a generator capable of providing energy or ancillary services to the ERCOT grid and that is registered with ERCOT as a generation resource.
 - (4) **Load entity** -- an entity that owns or controls a load resource.
 - (5) **Load resource** -- a load capable of providing ancillary service to the ERCOT system or energy in the form of demand response and is registered with ERCOT as a load resource.
 - (6) **Resource entity** -- an entity that is a generation entity or a load entity.
- (b) **Scarcity Pricing Mechanism (SPM).** ERCOT will administer the SPM. The SPM will operate as follows:
- (1) The SPM will operate on a calendar year basis.
 - (2) For each day, the peaking operating cost (POC) will be 10 times the natural gas price index value determined by ERCOT. The POC is calculated in dollars per megawatt-hour (MWh).
 - (3) For the purpose of this section, the real-time energy price (RTEP) will be measured as an average system-wide price as determined by ERCOT.
 - (4) Beginning January 1 of each calendar year, the peaker net margin will be calculated as: $\sum((RTEP - POC) * (\text{number of minutes in a settlement interval} / 60 \text{ minutes per hour}))$ for each settlement interval when $RTEP - POC > 0$.
 - (5) Each day, ERCOT will post at a publicly accessible location on its website the updated value of the peaker net margin, in dollars per megawatt (MW).
 - (6) **System-Wide Offer Caps.**
 - (A) The low system-wide offer cap (LCAP) will be set at \$2,000 per MWh for energy offers and \$2,000 per MW per hour for ancillary service offers.
 - (B) The high system-wide offer cap (HCAP) will be \$5,000 per MWh for energy offers and \$5,000 per MW per hour for ancillary service offers.
 - (C) The system-wide offer cap will be set equal to the HCAP at the beginning of each calendar year and maintained at this level until the peaker net margin during a calendar year exceeds a threshold of three times the cost of new entry of new generation plants.
 - (D) If the peaker net margin exceeds the threshold established in subparagraph (C) of this paragraph during a calendar year, the system-wide offer cap will be set to the LCAP for the remainder of that calendar year. In this event, ERCOT will continue to apply the operating reserve demand curve and the reliability deployment price adder for the remainder of that calendar year. Energy prices, exclusive of congestion prices, will not exceed the LCAP plus \$1 for the remainder of that calendar year.
 - (7) **Reimbursement for Operating Losses when the LCAP is in Effect.** When the system-wide offer cap is set to the LCAP, ERCOT must reimburse resource entities for any actual marginal costs in excess of the larger of the LCAP or the real-time energy price for the resource. ERCOT must utilize existing settlement processes to the extent possible to verify the resource entity's costs for reimbursement.
- (c) **Emergency Pricing Program (EPP).** ERCOT will administer the EPP. The EPP will operate as follows:
- (1) **Activation of the EPP.** The EPP must be activated if the system-wide energy price, as determined by ERCOT, has been at the HCAP for 12 hours within a rolling 24-hour period.

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- (2) **Emergency Offer Cap (ECAP).** While the EPP is active, the system-wide offer cap will be set to the ECAP for both energy and ancillary service offers. The ECAP will be set equal to the value of the LCAP.
- (3) **Duration of the EPP.** The EPP will remain in effect until the later of:
 - (A) 24 hours after the activation of the EPP; or
 - (B) if ERCOT has entered into or remained in emergency operations while the EPP is activated, 24 hours after ERCOT exits emergency operations without re-entering emergency operations.
- (4) **Market Notice.** ERCOT will issue a notice both when the EPP is activated and when the EPP is terminated. The notice must include the date and time of the activation or termination of the EPP.
- (5) **Reimbursement for Costs That Exceed the ECAP.**
 - (A) While the EPP is active, ERCOT must reimburse resource entities for any actual marginal costs in excess of the larger of the ECAP or the real-time energy price for the resource. ERCOT must utilize existing settlement processes to the extent practicable to verify the resource entity's costs for reimbursement.
 - (B) For reimbursement of actual marginal costs in excess of the HCAP, a resource entity must submit a reimbursement request in the manner prescribed by ERCOT. If a resource entity fails to provide information to ERCOT in its reimbursement request, as required by this subparagraph, ERCOT must not approve the reimbursement of the resource entity's fuel costs. This reimbursement request must include:
 - (i) for a resource entity requesting recovery of fuel costs, an attestation that the costs submitted for recovery are solely related to the provision of fuel or services directly related to the provision of the purchased fuel; and
 - (ii) any additional documents or information requested by ERCOT, including fuel purchase contracts.
 - (C) ERCOT must allocate costs associated with this paragraph on a load ratio share basis.
- (6) **Report.**
 - (A) Within 10 working days from the date the EPP is terminated, ERCOT must file an initial report with the commission that contains the following information:
 - (i) a summary of the event that triggered the EPP; and
 - (ii) an analysis of the EPP's performance while the program was active.
 - (B) Within 90 calendar days from the date the EPP is terminated, ERCOT must file a final report with the commission that contains the following information:
 - (i) a final summary of the event that triggered the EPP;
 - (ii) a final analysis of the EPP's performance while the program was active;
 - (iii) the number of generators that filed for cost recovery under paragraph (5) of this subsection;
 - (iv) the total dollar amount of costs submitted and costs recovered under paragraph (5) of this subsection, including the fuel type, MW per hour, and number of units associated with recovered costs; and
 - (v) any recommendations to modify or improve the EPP.
- (7) **Immediate Implementation.** ERCOT must implement the EPP immediately. Notwithstanding any conflicting language in this subsection, ERCOT may utilize a manual process to activate the EPP and may consider the real-time energy price, exclusive of any congestion, to determine the system-wide energy price, until any system and protocol changes are complete. ERCOT must issue a market notice when it transitions from a manual to an automated EPP activation process.
- (d) **Review of System-Wide Offer Cap Programs.** Beginning January 1, 2026, and every five years thereafter, the commission will review each of the system-wide offer cap programs to determine whether to update aspects of each program.

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- (e) **Development and Implementation.** ERCOT must use a stakeholder process, in consultation with commission staff, to develop and implement rules that comply with this section. Nothing in this section prevents the commission from taking actions necessary to protect the public interest, including actions that are otherwise inconsistent with the other provisions in this section.