ERCOT ISO and DR Overview 2014

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ISO-wide Issues

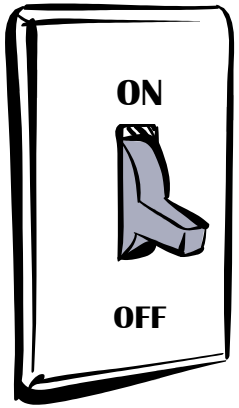
- **Resource Adequacy**
  - Long-term Load Forecast methodology adjustments show more promising reserve margins for next few years
  - Forward capacity market debate now on the back burner
- **Scarcity Pricing in the energy-only market**
  - Offer cap will be $7,000/MWh on June 1; $9,000 in 2015
    - But…only one interval at the cap in all of 2013
  - Coming June 1: Operating Reserve Demand Curve price adders
  - Continuing concerns about price suppression by ‘blocky’ resources deployed for reliability
- **Ancillary Services for the grid of the future**
  - Instantaneous wind penetration record: 38.4% at 3am on 3/27/14
  - 11 GW of wind on system – on our way to 19GW
  - Utility-scale and rooftop solar gaining momentum



ERCOT ISO Demand Response Issues

- **Price formation vs. price suppression**
  - Deployment of “blocky” DR can lead to inappropriate price formation (price suppression) under current market design for price formation
  - PUC and stakeholders really want operational DR to participate in real-time market price formation
  - Challenge is in enabling “blocky” DR participation in real-time price formation without make-whole payments
- **‘Loads in SCED v1’ (real-time market dispatch) goes live June 1**
  - Limited to LSEs with DR that can follow 5-minute Base Points that can move incrementally up or down
  - v2 under discussion will try to open SCED to CSPs and blocky loads
  - ERCOT not bound to Full LMP (FERC Order 745)
- **DR in the Future Ancillary Services mix**
  - More flexible suite of products identified, especially those needed to deal with frequency events on a smaller grid
- **Don’t forget bilateral / retail / voluntary DR and price response**
  - Retailers and generators both looking to DR to hedge against $9,000 prices
  - Could lead to growth in non-ISO bilateral trades

2 slides in 7 minutes!



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