

# ERCOT Adds Reliability Fees

ERCOT recently implemented regulatory changes that will raise costs, but potentially mitigate higher market prices during extreme weather events with improved reliability. Firm Fuel Supply Service (FFSS) is a new annual service from November 15 to March 15 that compensates generation resources to meet a higher level of resiliency and grid reliability. Emergency Response Service (ERS) cost is a special emergency service that is used by ERCOT to help prevent or reduce system-wide load shed of electric customers. FFSS is a new product. ERS was previously in place, but ERCOT has adopted a rule to increase the budget to \$75 million from \$50 million.

Below is some background and a Q&A series which we hope addresses the most frequent questions.

## Background - FFSS

- After the events of Winter Storm Uri, the Texas Legislature passed Senate Bill 3 (SB 3) in the summer of 2021, directing the Public Utilities Commission of Texas (PUCT) to take necessary actions to ensure grid resiliency.
- ERCOT developed a reliability product, Firm Fuel Supply Service (FFSS), and issued a Request for Proposals (RFP) to provide Firm Fuel Supply Service during the obligation period November 15, 2022 through March 15, 2023.
- Five different Qualified Scheduling Entities offered 10 generation resources to act as FFSS resources during the obligation period. Results of this RFP were released September 30, 2022.
- The generation resources that offered and were awarded FFSS will be compensated through payments funded by load serving entities including retail electric providers.
- This service is expected to renew annually from November 15 through March 15 each year, with costs dependent on RFPs or auctions for successive winter periods.



ERCOT will turn to auctions to help arrive at a market design to keep the lights on during extreme peaks.



## FFSS Frequently Asked Questions

- ① Does this impact all retail suppliers?  
Yes.
- ① Are you invoking a change in law?  
Yes. This is a new Ancillary Service charge, making it a Change-in-Law.
- ① What is the cutoff date on signed contracts where this would be seen as pass-through vs already included?  
Contracts signed before 11/15/22 had the cost passed through for the life of the contract. Contracts signed on or after 11/15/22 will have the option of fixing in the contract price or passing through FFSS along with other ancillary service costs.
- ① What bill date introduced this charge invoiced as a pass through?  
This fee was added beginning with the February 1, 2023 billing cycle.
- ① What is the cost impact for customers?  
For winter 2022-2023, the estimated FFSS costs are \$0.23/MWh per month for the months of November and March, and \$0.46/MWh for the months of December, January, and February. Future winter period costs will be based on annual RFP/Auction results.
- ① Will the FFSS continue to be fixed throughout the life of a multi-year contract, or will it be subject annually to a cost adjustment?  
If a contract is signed after 11/15/22, the FFSS fee will be fixed for the full term of the contract at the 2022-2023 clearing price. However, if there is a material increase in the FFSS fee resulting from future RFPs or auctions for successive winter periods, we may invoke change in law.
- ① Given future costs are unknown due to impending annual RFP's, are forward curves being updated to reflect this as a fixed component for customer RFP's?  
Yes all future winter periods will be updated based on the Winter 2022/2023 RFP results.
- ① Can the FFSS be broken out as its own separate line as a pass through or must it be embedded within overall ancillaries?  
For existing contracts signed prior to 11/15/22, the charge will be passed through as its own separate line item or as part of the Ancillary Services Charge line item. For new contracts signed on or after 11/15/22, the charge will either be fixed in the contract price or passed through in addition to other ancillary services costs.

## Background - ERS

- Load shed is a peril to the public health, safety, and welfare because the unavailability of electricity can be life threatening to vulnerable populations and can severely disrupt the economy and other basic everyday activities.
- The adopted rule provides ERCOT greater flexibility to procure ERS for longer amounts of time with a contract term from individual ERS resources to better address seasonal needs and makes other administrative changes to the program.

## ERS Frequently Asked Questions

- ① Does this impact all retail suppliers?  
Yes.
- ① Are you invoking a change in law?  
Yes. While this is an existing service, the increase in the budget for ERS from \$50 million to \$75 million does constitute a Change-in-Law.. The increase was implemented by way of a change to the PUCT Substantive Rule No. 25.507
- ① What is the cutoff date on signed contracts where this would be seen as pass-through vs already included?  
Contracts signed before 7/18/22 will have the cost passed through for the life of the contract. Contracts signed on or after 7/18/22 will have the option of fixing in the contract price or passing through with overall ancillary services.
- ① What bill date introduced this charge invoiced as a pass through?  
This fee was added beginning with the February 1, 2023 billing cycle.
- ① What is the estimated cost impact for customers?  
Estimated ERS cost is \$0.06/MWh each month starting Summer 2022.
- ① Will the ERS continue to be fixed throughout the life of a multi-year contract, or will it be subject annually to a cost adjustment?  
If a contract is signed on or after 7/18/22, the current ERS fee will be fixed for the full term of the contract. However, if there is a material increase in the ERS fee resulting from future increases in the ERS budget by the PUCT, we may invoke change in law.





## ERS Frequently Asked Questions

- ① Given future costs are unknown due to possible future budget increases by the PUCT, are forward curves being updated to reflect this as a fixed component for customer RFP's?  
Yes, on 7/18/22 forward curves were updated assuming an annual \$75 million budget.
- ② Can the ERS be broken out as its own separate line as a pass through or must it be embedded within overall ancillaries?  
For existing contracts signed prior to 7/18/22, the charge will be passed through as its own separate line item or as part of overall ancillary services. For new contracts signed on or after 7/18/22, the charge will either be fixed in the contract price or passed through in addition to other ancillary services costs.