Priorities for the Evolution of an Energy-Only Electricity Market Design in ERCOT

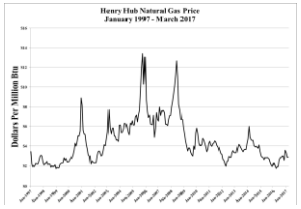
William W. Hogan, Harvard University and Susan L. Pope, FTI Consulting

October 5, 2017
Austin TX

Presented To: 16th Annual Gas and Power Institute, Houston, Texas

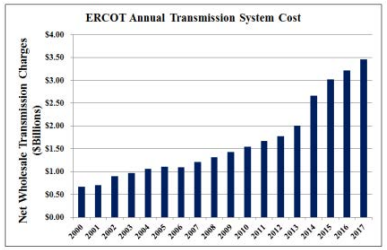
FACTORS AFFECTING ENERGY-ONLY PRICES IN ERCOT

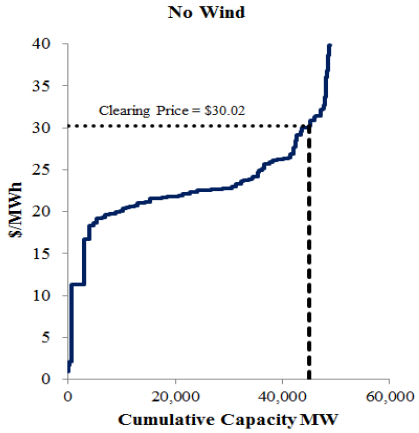
Are prices incenting efficient entry and exit of suppliers, including dispatchable generation?



Macro-Economy
- Declining gas prices

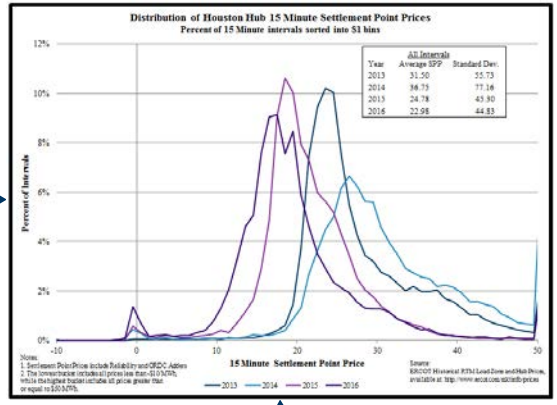
market factor





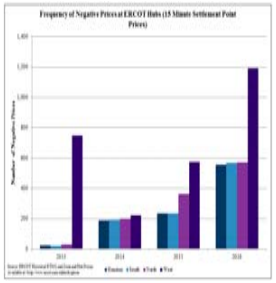
State of Texas Policies
- Centralized transmission planning rules
- 4CP transmission cost allocation

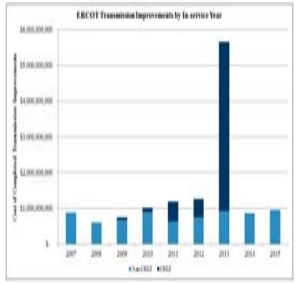
out-of-market within Texas



out-of-market out of Texas

Federal Policies
- Production and Investment Tax Credits for wind and solar





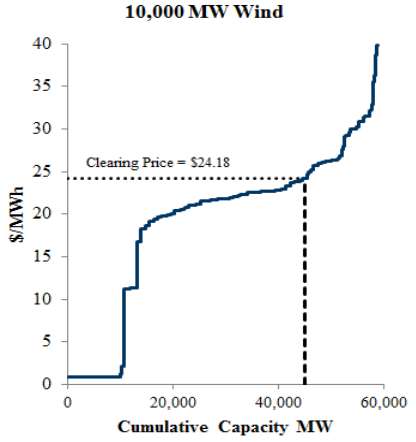
within market

ERCOT Market Rules
- Marginal Loss Pricing
- Local Scarcity Pricing
- ORDC Details

Total PJM Costs
Congestion and Marginal Losses (2009-2016)

	Percent of PJM Billing	
Year	Congestion	Marginal Losses
2009	2.7%	4.8%
2010	4.1%	4.7%
2011	2.8%	3.8%
2012	1.8%	3.4%
2013	2.0%	3.1%
2014	3.9%	2.9%
2015	3.2%	2.3%
2016	2.6%	1.8%

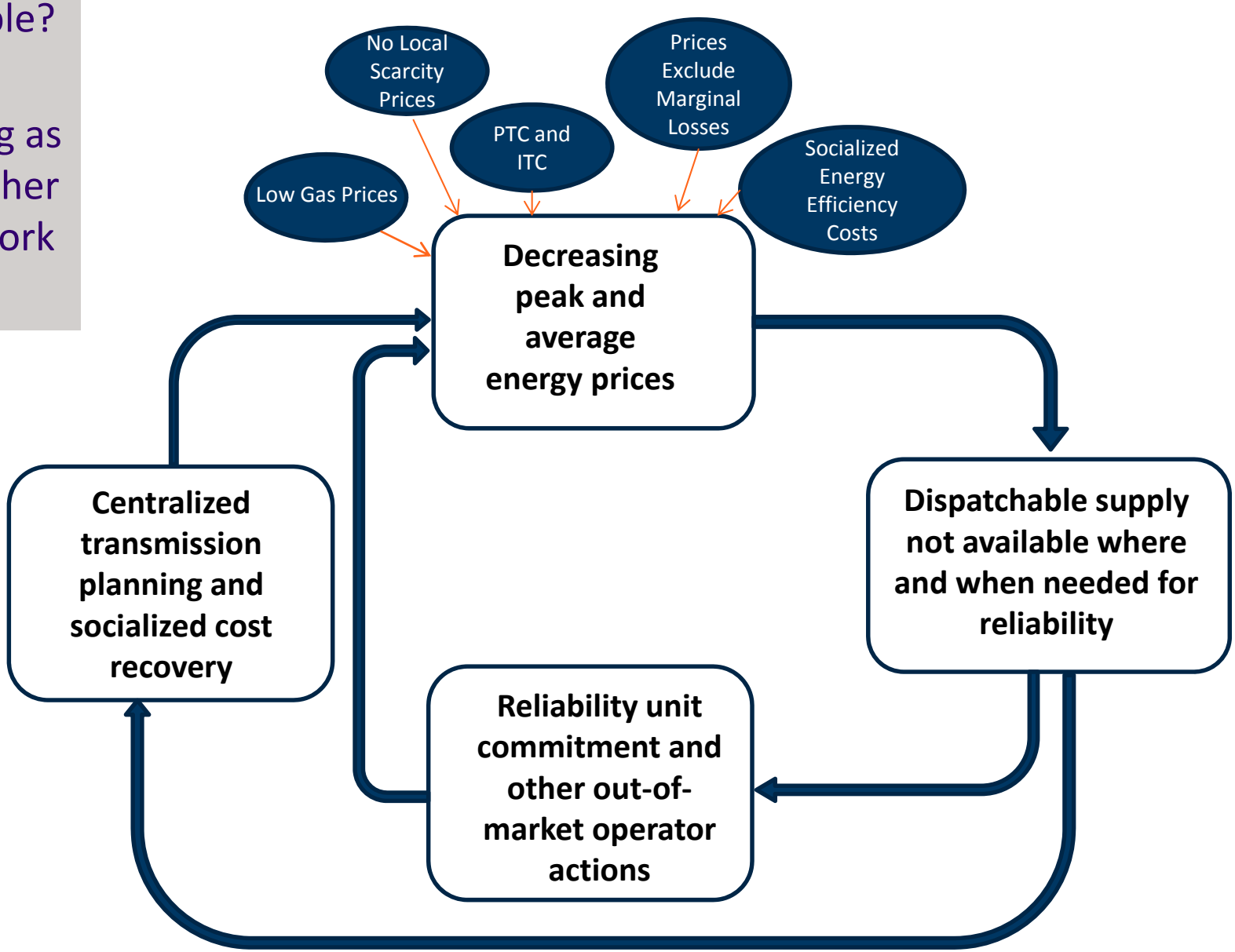
Source: Monitoring Analytics, LLC, "2016 State of the Market Report for PJM: Section 11: Congestion and losses", March 2017



CYCLE INCONSISTENT WITH MARKET OBJECTIVES

Is this sustainable?

ORDC is working as intended but other factors are at work



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