

COMMENTS OF HUNT ENERGY NETWORK, L.L.C.

Hunt Energy Network, L.L.C. (HEN) respectfully submits these comments in response to Commission Staff's questions in Project No. 59550 concerning the quinquennial review of the system-wide offer cap programs under 16 Texas Administrative Code § 25.509(d). HEN owns and operates energy storage and peaking generation resources in the ERCOT market and has a direct interest in market rules that support reliable operations, efficient price formation, and durable investment signals.

Offer caps were adopted at the beginning of the competitive era in ERCOT for two basic reasons: inelastic demand and the California energy crisis of 1999-2000. As to the first, in a normal commodity market, a seller who tries to exploit scarcity gets disciplined by demand pulling back as price rises. Wholesale power markets don't have that check under normal operating conditions: retail demand is almost entirely insulated from real-time prices (flat retail rates, non-interval metering for the mass market, billing ten to thirty days after the fact, and the like). So, the demand curve is effectively vertical — perfectly inelastic — up to the point of involuntary curtailment. Absent an artificial ceiling, a supplier that is pivotal during a tight hour has no natural limit on what it can charge, because there is insufficient demand response to erode that price. The offer cap substitutes an administratively determined ceiling for the missing market-based one.

The California energy crisis that occurred around ERCOT's market opening was an additional reason why we instituted an energy offer cap. California market design errors, inadequate infrastructure investment and poor market oversight led to high prices, rolling outages, utility bankruptcies and credit defaults. As the FERC was investigating the issues in the Western markets, the PUCT erred on the side of caution and decided to unleash our markets gradually.

In our energy-only market, scarcity rents earned selling energy and ancillary services during the relatively few hours when we experience high prices are the *entire* mechanism by which peaking and even mid-merit capacity recovers its fixed costs. However, set the cap too low and you don't just protect customers from monopoly pricing — you starve new entry and erode resource adequacy, because energy revenues alone in normal hours don't cover fixed costs.

Over a decade ago, as the vast generation surplus that existed from market opening began to disappear, the Commission endeavored to address the resource adequacy imbalance. After lengthy study and review, it raised the offer cap to match its calculation of the Value of Lost Load (VOLL) (\$9,000/MWh), the price at which an informed customer would choose to quit consuming power if she could react to the real-time cost of that power. The Commission also adopted an Operating Reserves Demand Curve (ORDC) mechanism to gradually raise energy market prices as markets got tighter, rather than leave the vertical demand curve in place (relatively low prices in place until the absolute last MW is consumed, and then rolling outages as the price spikes).

This construct was correct, but its implementation was flawed (for reasons we point out below) and led us to the shortcomings we observe today. It is time to fix our market once and for all, not with Band-aids, compromises and bailouts, but with solid economics that will stand the test of time. Fortunately, we are approaching the end days of the vertical demand curve. End user technology and customer use patterns, combined with massive curtailable large load additions and real time price communication, are starting to give us the elusive demand response that will discipline this market far better than any cap or administrative price curve. It is HEN's hope that this Docket will be the last time we need to construct

these checks on the operation of a liquid, transparent marketplace. But we need to do it robustly and correctly today, while we are learning how to better utilize storage and flexible demand. As a result, we will get good price formation, adequate resource investment, market driven reliability and minimal ERCOT operator market interventions.

HEN's principal recommendation is that the Commission definitively adopt a coherent, integrated energy only market regime. Today, ERCOT operates the system to maintain one reserve posture ('conservative operations') while procurement quantities or scarcity prices reflect another. Those flaws, which began a decade ago and continued through the post-Uri market changes, have caused competitive price signals to become disconnected from the reliability outcomes we want.

The Commission has already established that the VOLL today is \$35,000/MWh. It has already adopted ERCOT's conservative market operation philosophy (buy sufficient ancillary services -- "insurance" -- to avoid having to call an EEA-1). Combine those two together to develop properly-shaped Ancillary Service Demand Curves (ASDCs) for all Ancillary Services. Those elements should reflect a coherent view of the reliability value of reserves. Done right in our now co-optimized market, this could possibly obviate the need for the DRRS resource adequacy product.

With all the market price-triggered circuit breakers in place -- such as the Emergency Pricing Program and Peaker Net Margin based lowering of System-Wide Offer Cap (SWCAP) -- and the addition of significant price-sensitive large loads, setting the SWCAP at \$35,000/MWh may not impact the overall market since price-responsive large loads are likely to set the market prices well below that number.

However, HEN is mindful of the impacts that a flash cut reset of the offer cap to a \$35,000/MWh VOLL would have on our successful retail marketplace. The amount of credit that would need to be parked at ERCOT to backstop every retailer would drive many from the market and unduly increase retail market concentration. So, as a conservative incremental step, HEN recommends removing market-distorting energy (System Lambda) price caps and returning to a Day-Ahead SWCAP (DASWCAP) of \$9,000/MWh while maintaining Real-Time SWCAP (RTSWCAP) of \$2,000/MWh for all resources except Energy Storage Resources (ESRs). The RTSWCAP for ESRs should be set at \$4,000/MWh for those resources to adequately reflect their opportunity costs due to storage capacity limitations. The ERCOT market has many years of experience operating under a SWCAP of \$9,000/MWh, and the current ERCOT credit calculations historically have, and, going forward can, accommodate a SWCAP of \$9,000/MWh. The ASDC caps and floors can remain at current levels -- however, the shape of ECRS and Non-Spin ASDCs should significantly change and more accurately reflect their value once adjusted for a VOLL of \$35,000/MWh and for the conservative posture probabilities used by ERCOT to avoid an emergency.

I. RESPONSES TO STAFF QUESTIONS

1. Scarcity Pricing Mechanism

- a. **The current Low System-Wide Offer Cap (LCAP) is \$2,000 per MWh for energy offers and \$2,000 per MW per hour for ancillary service (AS) offers. The current High System-Wide Offer Cap (HCAP) is \$5,000 per MWh for energy offers and \$5,000 per MW per hour for ancillary service offers. Do either of these values need to be updated? Why?**
- b. **With the implementation of RTC+B, there is a difference between the day ahead (DAM) and real-time (RTM) system offer caps for both energy and AS. The DAM offer cap is \$5,000 per MWh per hour, and the RTM offer cap is \$2,000/MWh. Should this difference continue? Why?**
- c. **Should any of the scarcity pricing mechanism features listed below be modified? Why?**

- i. **Peaker net margin calculation**
- ii. **LCAP trigger threshold**
- iii. **Reimbursement for operating losses when the LCAP is in effect**

Response: System Lambda cap should be removed; HCAP and LCAP should be increased to \$9,000/MWh and \$6,000/MWh, respectively; and, updated CONE values should be used to determine PNM threshold. Goal: preserve reliable operations and effective scarcity-price formation.

Regarding the caps for Ancillary Services (AS), with the introduction of ASDCs in both DAM and SCED with RTC+B, there is no longer a need to have offer caps for AS in DAM and RTM – ASDCs themselves limit the AS offer prices that can be awarded AS. Thus, the Commission should issue a directive to ERCOT to eliminate offer caps in DAM and RTM for Ancillary Services.

Although the Power Balance Penalty (PBP) effectively caps System Lambda and thus energy offers at that value, an energy offer cap lower than PBP by at least the ASDC cap for ECRS is still needed to ensure SCED forgoes all Non-Spin and ECRS prior to violating the power balance constraint. Absent such an energy offer cap, a theoretical marginal resource that offers energy at the PBP and ECRS at \$0 may be awarded ECRS instead of energy during severe scarcity.

Regarding energy caps, as a risk-averse incremental step, HEN recommends adopting a Day-Ahead SWCAP (DASWCAP) of \$9,000/MWh while maintaining a Real-Time SWCAP (RTSWCAP) of \$2,000/MWh for all resources except Energy Storage Resources (ESRs). The RTSWCAP for ESRs should be set at \$4,000/MWh (which is lower than PBP less ASDC cap for ECRS) for those resources to adequately reflect their opportunity costs due to storage capacity limitations. For example, under current RTSWCAP, an ESR offering at \$2,000/MWh may be inefficiently discharged when its Resource Node LMP is \$2,000/MWh while later in the day (e.g., solar ramp-down intervals) its output is more valuable to the grid and energy prices are likely to be even higher. A higher offer cap for ESRs allows ESRs to better manage their limited states of charge.

To allow for DASWCAP of \$9,000/MWh for reasons set forth in the introduction, the HCAP must be increased to \$9,000/MWh for energy offers. The PNM mechanism is a market price circuit breaker to protect customers from excessively high market prices over a calendar year. However, when the PNM threshold is exceeded and the mechanism triggers lowering of offers for energy and Ancillary Services to LCAP, the ERCOT-run markets still need to ensure reliable operations and the ability of Market Participants to hedge energy and AS positions.

One important point is that the Value of Lost Load (VOLL) must be consistent across all applications of the VOLL – the VOLL does not change with the triggering of the PNM circuit breaker. The Commission has determined that the VOLL for the ERCOT market is \$35,000/MWh, and that VOLL value must be used to determine ASDCs and transmission planning regardless of the PNM trigger. Currently, once the PNM threshold is exceeded, VOLL is reduced to \$2,000/MWh – although there is no Commission order requiring such reduction. Such an artificial reduction in VOLL significantly reduces the reliability value of Ancillary Services (i.e., ASDCs) and thus potentially exposes the grid to operational risks and/or, as we have seen, manual interventions by ERCOT operators.

The current RTSWCAP for energy and AS is \$2,000/MWh regardless of PNM trigger. Currently, when the PNM threshold is exceeded, DASWCAP and VOLL are reduced to \$2,000/MWh as well. However, under the current design, RTM energy prices can exceed \$4,000/MWh if not administratively capped. As such, currently MPs cannot bid/offer energy and AS in DAM at prices that reflect RTM price expectation – this will lead to reduced participation in DAM and inefficient resource commitment decisions. Thus, DASWCAP must be increased to allow for DAM hedging activity and efficient market decisions.

Once the PNM threshold is exceeded, HEN proposes reducing all ASDC caps by \$3,000/MW/hour (e.g., from \$5,000/MW/hour to \$2,000/MW/hour for Non-Spin) and the same RTSWCAP of \$2,000/MWh (\$4,000/MWh for ESRs) and setting LCAP and DASWCAP at \$6,000/MWh for energy to allow for hedging activity in DAM.

A significant current market price distortion that should immediately be addressed by Commission directive is the administrative capping of System Lambda at VOLL. Such administrative price cap is not required by any Commission order or Substantive Rule. System Lambda capping creates serious price distortions and congestion cost distortions. System Lambda is algorithmically capped at PBP anyway – which is the correct mechanism for capping.

The Peaker Net Margin (PNM) calculation is a reasonable yet simple estimate of the net margin a natural gas peaker earns over time. PNM threshold of three times the Cost of New Entry (CONE) for a natural gas peaker is also reasonable. However, the current value of \$105/kW-year used as CONE in determining the PNM threshold should be updated with more recent figures. ERCOT's own 2024 CONE study prepared by The Brattle Group and Sargent & Lundy estimates CONE at \$293/kW-year for a June 2026 online date, which would place the PNM threshold at approximately \$879/kW-year rather than the current \$315/kW-year. If a different technology is used to determine CONE, then the entire PNM calculation method must be revised to reflect the earnings of that technology – there is currently no compelling reason to change from using natural gas peaker as the technology for the PNM.

2. Emergency Pricing Program

- a. Since its adoption in December 2023, ERCOT has never activated the EPP. Should any of the EPP features listed below be modified? Why?**
 - i. The activation trigger for the EPP**
 - ii. The Emergency Offer Cap**
 - iii. The duration of the EPP**
 - iv. The market notice specifications**
 - v. The reimbursement for costs that exceed the ECAP**
 - vi. The reporting requirements after the EPP has been activated**

Response: No major changes needed, apart from making ECAP consistent with LCAP as described above and revisiting extension criteria.

The Emergency Pricing Program (EPP) was created by Senate Bill 3 of the 87th Legislature and is an additional short-duration circuit breaker against severe scarcity prices. HEN suggests using the same LCAP values proposed above for ECAP (i.e., ECAP at \$6,000/MWh that would reduce DASWCAP to \$6,000/MWh and each ASDC cap reduced by \$3,000/MW with no change in VOLL). HEN also proposes eliminating the following criteria for extending the duration of EPP: “24 hours after ERCOT exits Energy Emergency Alert (EEA) conditions, if ERCOT entered into or remained in EEA while ECAP was in effect. If ERCOT reenters EEA conditions within 24 hours, then the ECAP Effective Period will continue for 24 hours after the latest exit from EEA conditions.” This extension of duration is likely to greatly reduce the majority of scarcity pricing during a long-duration event, such as a severe winter storm, when such prices are critical to incentivize risky resource operational decisions and longer term investment decisions. No other changes to the EPP are proposed – actual experience once EPP is triggered may point to other potential changes.

3. How should the Ancillary Service Demand Curves (ASDC) be modified to better reflect scarcity and improve economic efficiency?

Response: Use the Commission-approved VOLL of \$35,000/MWh to generate consistent ASDCs for all Ancillary Services.

The redesign of the ASDCs is the critical market design element that urgently requires Commission action to ensure proper scarcity price signals and address resource adequacy. The Commission recent decision to decouple ASDCs from the AORDC provides the opportunity to determine ASDCs based on the reliability value of the corresponding Ancillary Service. Throughout the RTC+B design process, HEN has pointed out the serious shortcomings of the ASDC design based on AORDC and takes this opportunity to propose ASDC design based on first principles.

ASDCs must be designed consistent with ERCOT's operational reliability target and the Commission's determination of the Value of Lost Load (VOLL). Presently, we use an unreasonably low VOLL of \$5,000/MWh – which value has no basis and thus is arbitrary – instead of the Commission-determined VOLL of \$35,000/MWh. This led to our current low values of ASDCs and need to use ASDC floors to simply ensure there is an opportunity to meet ERCOT-determined minimum AS quantities. This is wrong, but it can be fixed by using VOLL of \$35,000/MWh to generate consistent ASDCs.

Next, let's analyze the reliability value of each AS.

1. Responsive Reserve Service (RRS). RRS is the critical AS that ensures that the grid is able to arrest frequency that can drop within seconds with the loss of large generators. The inability to arrest frequency can result in the total blackout of the ERCOT grid that could require several days to restart. ERCOT cannot and should not depend on the untested Under-Frequency Load Shed (UFLS) to arrest a very fast drop in frequency since relays may not activate in fractions of a second required to timely arrest frequency or much of UFLS load may have already been manually shed. Winter Storm Uri is an example where the whole grid was one large generator trip and minutes away from total collapse (i.e., blackout).¹ In hindsight, ERCOT should have shed additional firm load to maintain at least 3,000 MW of PRC to avoid this unacceptable risk.

Assuming an average load of 40,000 MW, VOLL of \$35,000/MWh, a weeklong blackout of the grid would cost about \$200 billion in economic loss – not counting the possible loss of lives and critical support services. Assuming a forced outage rate of 2%, the probability of two specific 1,500 MW units being forced out is only 0.04% - a very low probability. However, the expected cost of not being able to arrest frequency if such a very low probability event were to occur is $0.0004 \times \$200,000,000,000 = \80 million. It takes about 3,000 MW of RRS to protect against such a disaster – the value of that 3,000 MW to grid reliability is about \$27,000/MW. Of course, with over 1,000 generating units in ERCOT, there are many combinations of unit outages that can result in 3,000 MW of simultaneous loss of generation. Thus, the reliability value of 3,000 MW of RRS is several multiples of \$27,000/MW. Since the probability of losing 1,500 MW is relatively high, the reliability value of the first 1,500 MW of RRS is in the tens of millions of dollars per MW. ERCOT can calculate the probabilities of various MW amounts of simultaneous generation forced outage and the MW amount of RRS needed to arrest frequency. Using VOLL of \$35,000/MWh and the likely number of days to recover from a blackout, ERCOT can determine the ASDC for RRS based on available forced outage rate data. The RRS ASDC thus determined would be capped at the current RRS ASDC cap.

¹ "The ERCOT system frequency dropped below 59.4 Hz for 4 minutes and 23 seconds (Figure 2.j) on the morning of February 15. Consequently, the grid was within minutes of a much more serious and potentially complete blackout on the morning of February 15." *The Timeline and Events of the February 2021 Texas Electric Grid Blackouts*, The University of Texas at Austin, July 2021, page 26.

Given the massive reliability value of RRS even at 3,000 MW, HEN recommends that ERCOT curtail firm load in a controlled and rotating manner to ensure at least 3,000 MW of RRS (and thus Physical Responsive Capability (PRC)) is maintained. This change in ERCOT operations is justified based on the reliability value of RRS and makes ERCOT current conservative operations consistent with ERCOT's proposed 2027 AS Methodology. It makes no sense to avoid 1,500 MW of firm controlled and rotating load shed (by waiting until 1,500 MW of PRC to shed firm load) in a soon to be 200,000 MW system and jeopardize the entire grid with loss of all 200,000 MW load for several days.

2. Regulation Service (Reg-Up and Reg-Down). Regulation Service provides capacity that can respond to signals from ERCOT within five seconds to respond to changes from scheduled system frequency. In addition, Reg-Up capacity must also be frequency responsive. Thus, capacity providing Reg-Up can also be considered capacity reserved to provide PRC. However, there is little value of procuring additional Reg-Up for regulation purposes and RRS is the AS used for targeted procurement of frequency responsive capacity. Reg-Up and Reg-Down would be at the current Reg-Up and Reg-Down ASDC caps, respectively, for the ERCOT-determined amount of capacity required (same as current practice).

3. ERCOT Contingency Reserve Service (ECRS) and Non-Spinning Reserve Service (Non-Spin).

ECRS provides operating reserves that are intended to:

- Restore Responsive Reserve (RRS) within ten minutes of a frequency deviation that results in significant depletion of RRS by restoring frequency to its scheduled value to return the system to normal;
- Provide energy or continued Load interruption to avoid or during the implementation of an Energy Emergency Alert (EEA);
- Provide backup regulation; and
- Be sustained at a specified level for one hour.

Non-Spin is provided by using:

Generation Resources, whether On-Line or Off-Line, ESR, or Controllable Load Resources capable of:

- being synchronized and ramped to a specified output level within 30 minutes
- running at a specified output level for at least four hours, i.e., 4-hour duration requirement

Non-Controllable Load Resources capable of:

- being interrupted within 30 minutes
- remaining interrupted until recalled

ASDCs for ECRS and Non-Spin must be determined using VOLL of \$35,000/MW multiplied by Loss of Load Probability (LOLP) at various levels of ECRS+Non-Spin capacity based on PRC falling below 3,000 MW (since HEN recommends shedding firm load to maintain at least 3,000 MW of RRS or PRC) and being able to restore RRS+Reg-Up. Until a joint LOLP distribution using 1-hour forecast error for ECRS and 6-hour forecast error for Non-Spin can be developed, HEN recommends using a single LOLP with 6-hour forecast error for both and then dividing up the ASDC into two separate ASDCs using the existing AORDC-derived allocation method for ECRS and Non-Spin. Of course, "risk credits" makes no sense in determining ASDCs and therefore should not be used, as explained further in HEN's recent comments submitted in Project 55999 on August 20, 2026. The resulting ASDCs would be capped at current ASDC caps for ECRS and Non-Spin, respectively.

4. What credit risk concerns should the Commission consider if either the SPM or the EPP were to be adjusted, and how should existing credit obligations be recalibrated in response?

Response: Adopt collateralization improvements identified in NPRR1277 discussions.

ERCOT credit calculations are based on historical Counter-Party exposure and forecasted exposure using forward prices. Thus, there are no required changes to credit calculations with HEN's proposed changes to caps and ASDCs.

Regardless of changes to caps and ASDCs, during the development of NPRR1277, Revisions to EAL Formula, ERCOT credit staff and stakeholders identified several improvements to reduce both over-collateralization and under-collateralization through the netting of DAM and RTM exposures and other changes. These identified improvements were not incorporated into NPRR1277 due to a desire to make credit requirement changes incrementally. The Commission may direct ERCOT to revisit additional improvements to credit calculations regardless of Commission's decision on caps and ASDCs.

5. Are there any other topics the Commission should consider as part of this evaluation?

Response: Refine integrated market design to minimize all out-of-market interventions and to encourage maximum utilization of demand flexibility.

The Commission should expressly evaluate the interaction among the ASDCs, the Commission-approved Ancillary Services Methodology, ERCOT's real-time procurement and operational practices, and Reliability Unit Commitment. These mechanisms should not be reviewed in isolation because each can affect the price signal the market receives for reliability.

The 2026 experience provides a useful case study. ERCOT acknowledged that ECRS and Non-Spin quantities were lower than the Commission-approved methodology required, while also explaining that RTC+B procured additional Non-Spin in real time and that available headroom supported operations. ERCOT further identified increased Ancillary Service procurement and RUC as tools available when its operational risk assessments indicate elevated risk. The Commission should examine whether this combination of administrative procurement, real-time procurement, and RUC is compensating for scarcity signals that are too weak or too late. The recent RUC for Capacity (AS shortage) is a prime example of ASDCs not being able to incentivize either market self-commitment or even justify RUC ASDC-based commitment. This resulted in ERCOT operators issuing RUC instructions depending on how short the AS plan is expected to be based on market commitment and the potential energy shortage that may result as part of this outcome. This ERCOT operator intervention would not be needed if ASDCs were properly designed to reflect the reliability value of the Ancillary Services.

HEN is not suggesting that RUC should never be used. RUC is an essential reliability tool. But routine or systematic reliance on out-of-market commitments to obtain a reserve posture that the market itself is not pricing should be treated as a diagnostic signal. Where possible, reliability needs that can be efficiently valued and procured through competitive market mechanisms should be reflected in those market mechanisms. For the market to provide the required level of reliability through resource operational and investment decisions, the energy and AS prices must adequately reflect scarcity as defined by ERCOT operational reliability targets.

Finally, the Commission should consider the growing role of flexible load and behind-the-meter resources. As large loads increasingly pair with backup generation, storage, or other flexible capability, market rules should allow those resources to provide reliability value where technically feasible. Efficient participation rules can expand the pool of reliability resources and reduce the amount of reliability that must be procured solely from traditional generation.

II. CONCLUSION

HEN appreciates the Commission undertaking this review at a consequential point in the evolution of the ERCOT market. RTC+B is now operational, the first year of experience under that design has exposed important questions about Ancillary Service procurement and price formation, and the Commission has expressly invited reconsideration of the ASDCs to improve economic efficiency. In addition, the Legislature and the Commission are considering additional ways to stimulate investment in dispatchable generation.

HEN recommends that the Commission use this proceeding to establish a coherent scarcity-pricing framework in which operational reserve objectives, Ancillary Service procurement, ASDC pricing, system-wide offer caps, and out-of-market reliability actions are all aligned.

The goal is not higher prices for their own sake. The goal is accurate prices: prices that reflect the reliability value ERCOT places on reserves, support efficient resource and load response, reduce unnecessary administrative intervention, and sustain investment in the capabilities the ERCOT system will need as load grows and the resource mix continues to change.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Pat Wood, III". The signature is stylized with a large initial "P" and a long, sweeping underline.

Pat Wood, III
Executive Chairman, HEN

EXECUTIVE SUMMARY OF COMMENTS OF HUNT ENERGY NETWORK, L.L.C.

Background. Offer caps were adopted at ERCOT's market opening for two reasons: retail demand is structurally price-inelastic, leaving no natural check on a pivotal supplier's prices absent an administrative ceiling; and the contemporaneous California crisis counseled a cautious, gradual deregulation. In ERCOT's energy-only design, scarcity rents earned in the relatively few high-price hours are the sole mechanism by which peaking and mid-merit capacity recovers fixed costs — set the cap too low and resource adequacy suffers. The Commission previously raised the cap to match a decade-ago \$9,000/MWh Value of Lost Load (VOLL) and adopted an Operating Reserve Demand Curve (ORDC) to smooth price formation as reserves tighten. That framework was directionally correct but flawed in implementation: ERCOT now operates to one reserve posture while procurement quantities and scarcity prices reflect another, decoupling price signals from reliability outcomes.

HEN's Principal Recommendation. The Commission should adopt a coherent, integrated scarcity-pricing regime — aligning reserve posture, Ancillary Service (AS) procurement, ASDC pricing, and system-wide offer caps around the Commission's now-adopted \$35,000/MWh VOLL, which could possibly obviate the DRRS product. Because an immediate flash-cut to \$35,000/MWh would strain retail credit and collateral capacity, HEN proposes a conservative, incremental path.

1. Scarcity Pricing Mechanism. Remove the redundant System Lambda cap; raise HCAP/LCAP to \$9,000/MWh and \$6,000/MWh, respectively; restore a \$9,000/MWh Day-Ahead SWCAP while holding Real-Time SWCAP at \$2,000/MWh (\$4,000/MWh for storage); and update the stale CONE used to set the Peaker Net Margin threshold — ERCOT's own 2024 Brattle/Sargent & Lundy study puts CONE at \$293/kW-yr versus the \$105/kW-yr still in use, moving the 3x-CONE PNM threshold from ~\$315 to ~\$879/kW-yr.

2. Emergency Pricing Program. No major changes needed, apart from making ECAP consistent with LCAP as described above and revisiting extension criteria.

3. Ancillary Service Demand Curves. Rebuild all ASDCs using the Commission-approved \$35,000/MWh VOLL for consistency. RRS is dramatically undervalued relative to its blackout-avoidance value; ERCOT should preserve at least 3,000 MW of RRS/PRC, curtailing load earlier, if needed, in a controlled, rotating manner.

4. Credit Risk. No changes to credit calculation methodology are required, but the Commission should adopt the collateralization improvements already identified through the NPRR1277 process.

5. Other Topics. Evaluate ASDCs, AS procurement, real-time operations, and Reliability Unit Commitment (RUC) *together*, not in isolation. Routine reliance on RUC to backfill a reserve posture the market itself isn't pricing is a signal that scarcity prices are too weak or too late. Expand participation rules for flexible load and behind-the-meter resources.

Conclusion. The goal is not higher prices, but accurate ones — prices that reflect ERCOT's own reliability value for reserves, support efficient resource and load response, minimize out-of-market intervention, and sustain the investment the system will need as load and the resource mix continue to grow.