

# *TAC Report to the ERCOT Board*

October 19, 2004

# *Summary*

- Notifications
  - Lan Conn of Entergy Solutions elected RMS Vice Chair for remainder of 2004
  - 1 Retail Market Guide Revision
  - 3 Operating Guide Revisions
  - Commercial Operations Subcommittee approved effective January 1, 2005
- PRRs 523, 526, 531, 532, 535
- Update Regarding Additional PRR Recommendation Information
- ERCOT Administrative Fee Allocation Methodologies Update

# ***RMS Update***

- Lan Conn of Entergy Solutions (Independent REP) elected Vice Chair of RMS for remainder of 2004. *TAC confirmed by unanimous voice vote.*
- **RMGRR 2004-012 – TDSP Invoice Dispute Spreadsheet:** Modifies the TDSP Invoice Dispute Spreadsheet that lacked an important reference to ESI ID that will further enable tracking and resolution process. This spreadsheet was recently approved at the August 5<sup>th</sup> TAC meeting without the ESI ID reference. *TAC approved by unanimous voice vote.*

## Operating Guide Revisions

- **OGRR 150 – *Clarification to Under-Frequency (UF) Relay Trip Time for Load Shedding:*** Clarifies UF relay trip time for load shedding. In order to provide enough time for TDSPs to complete calibration of UF relays, the deadline for being in compliance with this OGRR is January 1, 2006.
- **OGRR 151 – *Operator Emergency Training Requirement:*** Incorporates NERC required hours for Control Area and Transmission Operator training per year. This OGRR includes control area operators, transmission operators, and QSE operators in the 40 hours training requirement.
- **OGRR 152 – *Vegetation Management and Outage Reporting:*** Adds mandatory NERC requirements on vegetation management planning and reporting transmission outages caused by vegetation.
- **TAC approved OGRRs 150 and 152 unanimously. TAC approved OGRR 151 by a 25 to 1 vote.**

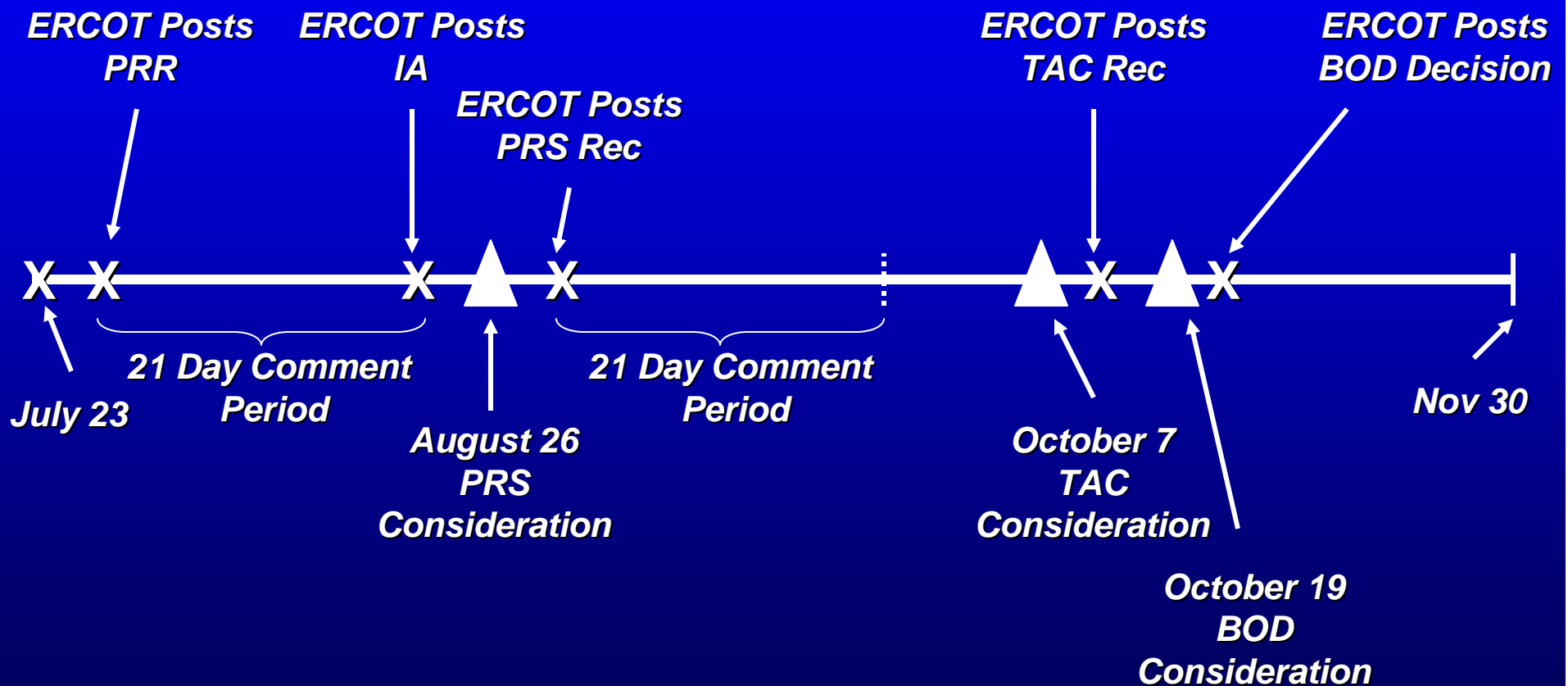
# *New Commercial Operations Subcommittee*

- Commercial Operations Working Group has been meeting during 2004
- TAC approved by unanimous voice vote Commercial Operations Subcommittee Procedures Document. Some highlights of document are:
  - Utilize PRS format to allow larger representation by segments, not limited to four participants per segment.
  - Allow Proxy votes and email votes, utilizing the language from the RMS/WMS format.
  - A quorum is defined as at least one Standing Representative in each of at least four segments.
  - A simple majority of segments will be used.
- New Commercial Operations Subcommittee effective on January 1, 2005

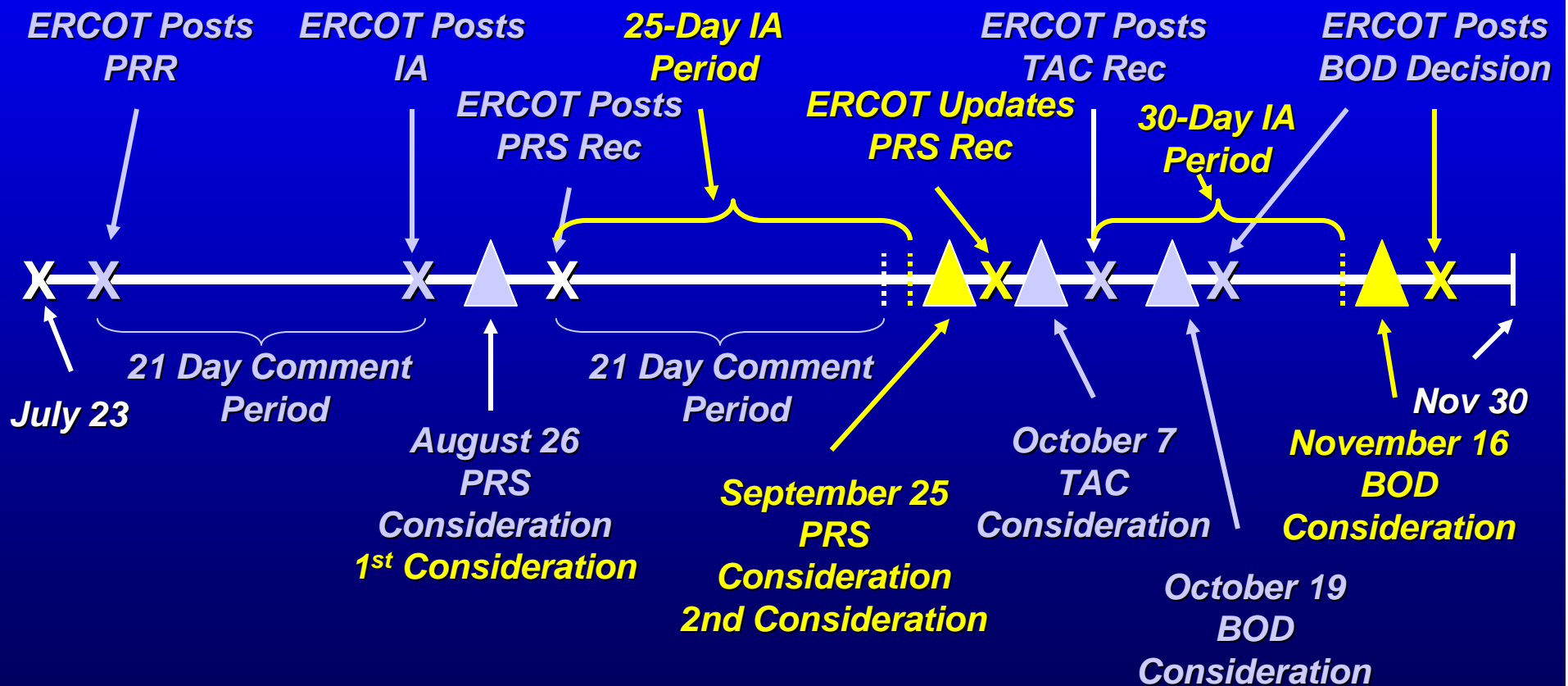
# PRR 523 – Revisions to Protocol Section 21

- *PRR submitted by ERCOT*
- *Updates PRR section to:*
  - *Revise Impact Analysis section*
  - *Include system project prioritization*
  - *Formalize the System Change Request process*
  - *Clarify deadlines*
  - *TAC may amend language without declaring PRR urgent*

# PRR 523 – Revisions to Protocol Section 21



# PRR 523 – Revisions to Protocol Section 21



***Similar process applies to System Change Requests***



# PRR 523 – Revisions to Protocol Section 21

- *Unanimous recommendation to approve PRR by PRS (all market segments present) as revised by Austin Energy, CenterPoint, ERCOT, TXU and PRS*
- *No budget impact*
- *Minor staffing impact -- requires update of ERCOT internal processes*
- *Allows ERCOT to provide a more thorough impact analysis of PRRs and SCRs*
- *No credit monitoring or liability calculation changes required*
- *TAC approved unanimously with all segments present*
- *Effective November 1, 2004*

# PRR 526 – OOMC Verifiable Cost Documentation

- *PRR submitted by AEP, IOU Segment*
- *PRR clarifies the Protocols for OOMC verifiable costs*
  - *Defines the required documentation standards required when ERCOT cancels/delays a unit's planned and approved maintenance outage due to an OOMC instruction*

# PRR 526 – OOMC Verifiable Cost Documentation

- *Unanimous recommendation to approve PRR by PRS (all market segments present)*
- *No impacts to ERCOT systems; no significant impact to ERCOT business functions; no impact to grid operations*
- *No credit monitoring or liability calculation changes required*
- *TAC approved unanimously with all market segments present*
- *Effective November 1, 2004*

# PRR 531 – Load Clarification

- *PRR submitted by AEP, IOU Segment*
- *This PRR makes modifications necessary to clarify the registration and treatment of Loads associated with Block Load Transfers.*
- *BLT moves a load obligation to or from another power pool into or out of ERCOT in an emergency and only under a specific ERCOT Dispatch Instruction*
- *PRR clarifies that load points involved in Block Load Transfers (BLT) will be treated as non-competitive load and registered similarly to NOIEs*
  - *Will be responsible for UFE and transmission losses similar to NOIEs*

## PRR 531 – Load Clarification

- *Unanimous recommendation to approve PRR by PRS (all market segments present)*
- *No budgetary impact*
- *No impact to ERCOT staffing; no significant impact to ERCOT computer systems*
- *No impact to ERCOT business functions; no impact to grid operations*
- *No credit monitoring or liability calculation changes required*
- *TAC approved unanimously with all market segments present*
- *Effective November 1, 2004*

## PRR 535 – Reactive Testing

- *PRR submitted on behalf of the Generator Reactive Testing Procedures TF by LCRA, Electric Cooperative Segment*
- *This PRR revises the wording to reflect that it is the unit's capability to provide reactive power that is being tested rather than its capacity*
- *More clearly specifying that reactive testing is at a minimum every two years and specifying the MW level that a generator is to be tested*

## PRR 535 – Reactive Testing

- *Unanimous recommendation to approve PRR by PRS (all market segments present)*
- *No budgetary impact*
- *No impact to ERCOT staffing; no impact to ERCOT computer systems*
- *No impact to ERCOT business functions; no impact to grid operations*
- *No credit monitoring or liability calculation changes required*
- *TAC voted unanimously to approve with all market segments present*
- *Effective November 1, 2004*

# PRR 532 – Implementation of Non-Transmission Alternatives to RMR

- *PRR submitted on behalf of WMS by ANP, Independent Generator Segment*
- *Protocols require ERCOT to evaluate non-transmission exit strategies to RMR situations*
- *PRR proposes a Must-Run Alternative (MRA) agreement and selection and settlement processes to support the MRA*
  - *Relies on the Regional Planning Group process to aid in the evaluation*
  - *MRA will provide a more cost-effective alternative to an RMR agreement*
  - *Effort to reduce uplifted costs to the market*



## PRR 532 – Implementation of Non-Transmission Alternatives to RMR

- *Relies on the Regional Planning Group process to aid in the evaluation*
- *MRA will provide a more cost-effective alternative to an RMR agreement*
- *MRA agreement term is limited to the time necessary for the cost-effective transmission alternative to be implemented*
- *If the MRA forecloses another viable technical solution, the agreement shall limit the MRA's ability to terminate MRA service or increase prices*

## PRR 532 – Implementation of Non-Transmission Alternatives to RMR

- *PRS recommended to approve PRR (all market segments present) as revised by CPS, Austin Energy and PRS*
  - *2 votes in opposition; 4 abstentions*
  - *Note: PRS previously rejected “urgent” status for this PRR*
- *Credit Work Group submitted comments to TAC subsequent to PRS’ consideration and recommendation of PRR 532*
- *CWG determined that the MRA’s financial stability must be evaluated*

# PRR 532 – Implementation of Non-Transmission Alternatives to RMR

- *TAC unanimously approved urgent status to modify the PRR*
- *TAC revised language for Section 6.5.9.2(2) and Section 6.5.9.2(3)(c)*
- *Impact to staffing resources is dependent on the number and type of MRA agreements*
- *Impact to ERCOT systems will be evaluated on a per-contract basis*
- *Impact to grid operations will be evaluated on a per-contract basis*
- *TAC approved 26 to 1 with all market segment present*
- *Effective Date of November 1, 2004*

# Recommended Board Actions

## Approval –

- PRR 523 – (Section 21 Revision)
- PRR 526 – (OOMC Verifiable Cost Documentation)
- PRR 531 – (Load Clarification for BLTs)
- PRR 535 – (Reactive Testing)
- PRR 532 – (Implementation of MRAs)

# **“Improving PRR Communications”**



***Or “What Was PRS/TAC  
Thinking?”***

# Improving Communications

- *Desire for more information on PRRs requested by BOD members*
  - *Insights to the deliberations at PRS and TAC*
  - *Cost-benefit analysis*
  - *Market segments impacts*
- *PRS and TAC discussed BOD comments at their last meetings*
  - *Revised PRR Recommendation Report*
  - *Discussed the quantification of benefits*

# Communication Objectives

- *To better communicate more information to TAC/BOD*
  - *Clearer statement of what the PRR does*
  - *Who submitted the PRR*
  - *Who commented on the PRR*
  - *Procedural history (e.g., developed in another TAC subcommittee)*
  - *Summary of PRS and TAC discussion*
  - *Priority and ranking for system projects*

# Communication Objectives

- *To better communicate information related to PRR costs and benefits*
  - *ERCOT's costs currently captured in the impact analysis*
  - *Looking for ways to quantify PRR benefits*
  - *The PRS will start providing additional information to the TAC and Board consistent with the proposed report after the October PRS Meeting.*
  - *PRS and TAC will continue efforts to provide more effective information to BOD*



## *TAC Administrative Fee Allocation Meeting*

- Board requested TAC to present Board, before March 2005, a fee allocation methodology or methodologies that would focus on the four elements set forth in Senate Bill 7. As part of that analysis, ERCOT should hire a third-party to conduct a cost-allocation study, at a cost no more than \$100,000.
- TAC has not hired a third party consultant at this time.

## **Administrative Fee (cont.)**

- TAC met for a half day to continue discussions
- TAC Special Task Force helped guide discussions
- Meeting Agenda:
  - ERCOT presented information regarding ERCOT attempt to allocate costs to the four main elements of SB 7
  - Independent REP segment presented alternative fee allocation method based upon primary cost centers
  - TAC discussion regarding next steps

## *Administrative Fee (cont.)*

- ERCOT information regarding allocation of costs:
  - ERCOT department heads were asked to allocate costs to four main elements in SB 7
  - A pie chart was shown that allocated the Total Capital Spending of ERCOT for 2004 into the four elements:
    - Accounting – 27%
    - Access – 17%
    - Choice – 24%
    - Reliability – 32%
  - Allocation was largely due to judgment of department heads
  - ERCOT currently does not have processes and procedures in place to track costs based upon four elements. ERCOT currently tracks costs based upon departments.
  - General consensus that allocation was insufficient in detail and that different processes and procedures must be in place to support development of different cost allocation as directed by market

## *Administrative Fee (cont.)*

- TAC discussed pros and cons of following options:
  - 1) Remain with current allocation process;
  - 2) Divide the cost allocation into the four elements set forth by Senate Bill 7 relying primarily on judgment; and
  - 3) Develop better accounting practices and develop buckets to allocate costs and track for some period going forward before implementation of new methodology
- ERCOT has the functionality in place to track cost allocation based upon market direction going forward
- ERCOT would need to reconfigure system based upon market desire and train employees to track based upon new cost centers going forward

## *Administrative Fee (cont.)*

- Next Steps:
- ERCOT shall develop an activity/cost tracking proposal in more detail and comment further on the REP primary cost center presentation
- TAC will discuss in more detail cost allocation categories and eventually discuss market participant allocation and rate design
- TAC determine how best to utilize third party consultant