



MEMO

Date: January 11, 2005
To: Board of Directors
From: Read Comstock, TAC Chair
Subject: Protocol Revision Requests

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: January 18, 2005

Agenda Item No.: 8a

Issue:

Consideration of Protocol Revision Requests (PRRs).

Key Factors Influencing Issue:

The Protocol Revision Subcommittee (PRS) met, discussed the issues, and submitted Recommendation Reports to the Technical Advisory Committee (TAC) regarding the PRRs described herein. TAC considered the issues and voted to take action on the PRRs as described below.

The following PRRs were approved by TAC and are recommended to the Board for approval:

- ***PRR542 – Clarifying the LaaR Three Hour Limit. Proposed effective date: February 1, 2005. No budgetary impact; no impact to ERCOT staffing; no impacts to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations.*** This PRR clarifies the Protocols to allow QSEs to replace LaaR Responsive Reserve with Responsive Reserve from a Generating Resource or other uncommitted LaaR following a deployment of Responsive Reserve Service. PRS completed initial review of the PRR at its October 2004 meeting and voted unanimously to recommend approval of PRR542. There were no abstentions and all market segments were present. PRS reviewed the impact analysis at its November meeting. TAC unanimously recommended approval of PRR 542 with all segments present. ERCOT credit staff and the CWG have reviewed PRR542 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR544 – Twelve Month Window for Scaling NIDR to IDR ESI IDs. Proposed effective date: Upon system implementation (must follow Lodestar 3.7 upgrade). No budgetary impact; the Lodestar code change will be completed in conjunction with changes approved by the Board in PRR514 (Twelve Month Window for Non-IDR Scaling); no impact to ERCOT staffing; no impact to ERCOT business functions; no impact to grid operations.*** PRR544 modifies the window for Non-Weather Sensitive Proxy Day selection



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from six months to twelve months. This revision will make the profile scaling methodology for ESI IDs that have changed from non-Interval Data Recorder (NIDR) to IDR meters the same as the methodology used for all other profiled ESI IDs. PRS completed initial review of the PRR at its October meeting and voted unanimously to recommend approval of PRR544. There were no abstentions and all market segments were present. PRS reviewed the impact analysis at its November meeting. TAC unanimously recommended approval of PRR 544. All segments were present. ERCOT credit staff and the CWG have reviewed PRR544 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR545 – Retail Market Extracts. Proposed effective date: February 1, 2005. No budgetary impact; no impact to ERCOT staffing; no impacts to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations.*** PRR545 creates new Section 11.3 addressing ESI ID-level extract information provided to LSEs. This revision will incorporate the information surrounding the current process for providing ESI ID-level information to LSEs and for correcting errors in this ESI ID-level information into the Protocols. PRS completed initial review of the PRR at its October meeting and voted unanimously to recommend approval of PRR545. There were no abstentions and all market segments were present. PRS confirmed the impact analysis at its November meeting. TAC unanimously recommended approval of PRR 545. All segments were present. ERCOT credit staff and the CWG have reviewed PRR545 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR562 – Permanent Elimination of Market Solution for Local Congestion. Proposed effective date: February 1, 2005. No budgetary impact; no impact to ERCOT staffing; no impacts to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations.*** PRR562 was approved on an urgent basis. The PRR would maintain the current methodology of settling Local Congestion costs by eliminating the February 1, 2005, sunset date set forth in Protocol Section 7.4.3, Settlement of local Congestion Costs. If the February 1 sunset date were to be maintained, the Market Solution Test (MST) concept adopted in Docket No. 24770¹ would be applied in some circumstances in determining payment for Local Congestion management. This methodology has been demonstrated to not function properly on a consistent basis, and on occasion has resulted in unduly high costs to resolve congestion. Currently, this type of congestion is paid as OOME, pending the sunset date now in place. PUCT Staff concurs – given that ERCOT has been unable to implement the MST for Local Congestion management in an

¹ Report of the Electric Reliability Council of Texas (ERCOT) to the PUCT Regarding Implementation of the ERCOT Protocols, Docket No. 24770 (August 20, 2003).



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acceptable manner, eliminating this provision from the Protocols would be consistent with the Order in Docket No. 24770.² In addition, this PRR directs that upon system implementation of PRR485 (Revision to Unit-Specific Deployment Based on Generic Cost), Net Local Congestions will be settled in the Balancing Energy settlement process, thus eliminating the need for MST for Local Congestion management. Due to the impending sunset date, this PRR was designated urgent and considered at a special meeting called by the PRS. A motion to recommend approval passed (six nays from the Independent Generators and Independent Power Marketers and two abstentions from the Independent Generator segments). All market segments were present. TAC members recommended approval of this PRR by email vote on 1/10/05. There were 19 yeas, five nays and three abstentions (with three abstentions, 19 affirmative votes is sufficient for approval). Members of the Independent Power Marketer, Independent Generators, and IOU segments voted against the motion; members of the Independent Power Marketers and Independent Generator abstained. All market segments participated in the vote. ERCOT credit staff and the CWG have reviewed PRR562 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

The TAC Recommendation Reports and Impact Analyses based on the TAC Recommendation Reports are included in the Board meeting distribution. In addition, these PRRs and their supporting materials are posted on the ERCOT website, including comments submitted to ERCOT and recommendation reports from the PRS:

<http://www.ercot.com/AboutERCOT/PublicDisclosure/ProtocolRev.htm>

Alternatives:

(1) Approve the TAC recommendation on PRRs 542, 544, 545, and 562 as described above or as modified by the Board; (2) reject the TAC recommendations; or (3) remand any PRRs to TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC and ERCOT Staff recommend the Board approve PRR 542, PRR 544, PRR 545, and PRR 562 described herein.

² *Id.*, Finding of Fact No. 28 and Ordering Paragraph No. 4.