



MEMO

Date: March 8, 2005
To: Board of Directors
From: Reed Comstock, TAC Chair
Subject: Protocol Revision Requests

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: March 15, 2005

Agenda Item No.: 10a

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:

- ***PRR540 – OOM Cost Recovery Process Clarification. Proposed effective date: April 1, 2005.*** *No budgetary impact; no significant staffing impacts, the incremental amount of resettlement activities should not be substantial; no impacts to ERCOT computer systems; no significant changes to ERCOT business functions; no impact to grid operations.* This PRR clarifies the process ERCOT is to use when making payments for cost recovery requests associated with Out-of-Merit Capacity (OOMC) and Out-of-Merit Energy (OOME) instructions. The PRR adds additional cost recovery categories for generators responding to unit-specific dispatch instructions for OOM services. This clarification was required, in part, due to the Board's action at its August 17, 2004, to approve an additional category for cost recovery resulting from a delay in a planned, accepted outage of the generator. Other cost categories related to start up fuel and non-fuel costs are also included in this PRR, which was posted on 9/1/04. In September, PRS tabled this PRR to allow additional time for Market Participants and ERCOT to work on language. At its October meeting, PRS tabled this PRR for further discussions off-line to resolve issues related to cost categories. After discussion during its November meeting, PRS remanded the PRR to the taskforce for resolution of cost recovery issues. On 12/16/04, PRS voted to recommend approval of this PRR as amended, with one opposing vote from the Consumer Segment, one abstention from the



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Consumer Segment, and one abstention from the Municipal Segment. PRS reviewed ERCOT's impact analysis at its January 2005. TAC voted to recommend approval of the PRR as submitted by PRS. There were 6 opposing votes, all from the Consumer segment, and one abstention from the REP segment. Those opposing the PRR raised concerns about a potential for excessive cost recovery. ERCOT credit staff and the CWG have reviewed PRR540 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR573 – Mothballed Generation Resource Definition and Time to Service Updates – URGENT. Proposed effective date: April 1, 2005. No budgetary impact; negligible impact to ERCOT staffing; no impact to ERCOT computer systems; small impact ERCOT business functions; no impact to grid operations.*** This PRR defines mothballed units and requires the responsible Generation Entity to report to ERCOT the estimated lead time required for each Mothballed Generation Resource to be capable of returning to service. The PRR also allows for such information to be considered Protected Information. PRS voted via email to consider PRR573 on an urgent basis. PRS considered the PRR, and its impacts to the market and ERCOT, during its February meeting. PRS voted to recommend approval with one member from the IOU segment abstaining. TAC voted unanimously to approve recommendation of PRR573 as amended by TAC. ERCOT credit staff and the CWG have reviewed PRR573 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 540 and 573 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 PRR540 and PRR573 described herein.