



MEMO

Date: April 12, 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: April 19, 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 Protocols Revision Requests (PRRs) described herein. TAC considered and approved the following PRRs and recommends them to the Board for approval:

- ***PRR525 - SCE Performance and Monitoring. Proposed effective date: Upon system implementation. Budgetary impact 5-L (\$100,000 – 500,000); manual production of a monthly report would increase Compliance workload but can be absorbed by current staffing levels until report is automated; impacts to ERCOT systems to automate reports and send a signal to QSEs on a real-time basis; no impact to ERCOT business functions; no impact to grid operations.*** This PRR revises Sections 6.10.4, 6.10.5, and 6.10.6, and subsections thereto, to require all QSEs to follow Schedule Control Error (SCE). ERCOT posted this PRR on 06/10/04. At its 07/23/04 meeting, PRS voted to send PRR525 to WMS for clarification. At its 12/3/04 meeting, WMS voted to recommend PRR525 with the methodology proposed by Austin Energy. PRS reviewed PRR525 at its 1/20/05 meeting and voted to recommend approval as clarified by WMS and revised by PRS. There were two abstentions from the Independent Power Marketer segments; all market segments were present for the vote. PRS reviewed ERCOT's impact analysis at its 02/17/05 meeting. On 3/3/05, TAC voted to recommend approval of PRR525 as amended by ERCOT comments with an implementation date set when ERCOT can automate the process. All segments were present for the vote; there was one abstention from the IOU segment. On 3/17/05, with all segments present, PRS voted to assign PRR525 a priority of 1.2 and a rank of 35.5. There were two abstentions from the Consumer and Independent Generator segments. On 4/7/05,



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TAC voted to affirm the priority and rank recommended by PRS. All segments were present for the vote; there were opposing votes from the IOU (two) and REP (one) segments and abstentions from the Consumer (one), REP (three) and IOU (one) segments. ERCOT credit staff and the Credit Work Group (CWG) have reviewed PRR525 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR540 – OOM Cost Recovery Process Clarification. Proposed effective date: May 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 and modifies the process ERCOT uses when making payments for cost recovery requests associated with OOMC and OOME instructions. ERCOT posted this PRR on 9/1/04. On 09/24/04, PRS tabled this PRR to allow additional time for Market Participants and ERCOT to work on language. At its 10/22/04 meeting, PRS again tabled this PRR for further discussions off-line to resolve issues related to the cost categories. After discussion during its 11/19/04 meeting, PRS sent the PRR to a task force for resolution of cost recovery issues. On 12/16/04, PRS voted to recommend approval of this PRR as amended. PRS reviewed ERCOT's impact analysis of the PRR at its 01/20/05 meeting. TAC voted to recommend approval of the PRR as submitted by PRS. There were six opposing votes, all from the Consumer segment, and one abstention from the REP segment. On 3/15/05, the Board remanded PRR540 to TAC for clarification. On 4/7/08, TAC considered PRR540 and voted to recommend approval of the PRR as previously recommended and instruct PRS to consider a Protocol revision extending a credit against start-up costs. There were one opposing vote and one abstention from the Consumer segment. All segments were present for the vote. 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.
- ***PRR557 – Late Fees and Late Fee Recovery. Proposed effective date: May 1, 2005.*** *No budgetary impact; staffing impact dependent on the frequency of events; no impact to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations.* This PRR clarifies how late fees are calculated and distributed. ERCOT posted this PRR on 11/23/04 in response to discussion at the 11/19/04 PRS meeting. PRS reviewed PRR557 at its 1/20/05 meeting and voted, 71.4% in favor and 28.6% opposed, to recommend approval as revised by comments from Green Mountain. The opposing votes were from the Coop, Independent Generator, and Independent Power Marketer segments; members from the Municipal and IOU segments abstained. PRS reviewed ERCOT's impact analysis at its



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02/17/05 meeting. On 3/3/05, with all segments present, TAC voted to recommend approval of PRR557. There were four opposing votes from the MOU, Independent Generator and Independent Power Marketer segments. Additionally, there were two abstentions from the Independent Power Marketer segment. ERCOT credit staff and the CWG have reviewed PRR557 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR558 - Market Notice of LaaR Proration. Proposed effective date: upon system implementation. Budgetary impact 5-L (\$100,000-500,000); no impact to ERCOT staffing; impacts to EMMS database and the Enterprise Data Warehouse (EDW); no impact to ERCOT business functions or grid operations.*** This PRR allows Market Participants to be notified when ERCOT prorates LaaR awards for Responsive Reserve. ERCOT posted this PRR on 11/23/04. PRS reviewed PRR558 at its 1/20/05 meeting and unanimously voted to recommend approval as submitted. PRS reviewed ERCOT's impact analysis at its 02/17/05 meeting. At its 03/3/05 meeting, TAC voted unanimously to recommend approval of PRR558. On 3/17/05, with all segments present, PRS unanimously voted to assign PRR558 a priority of 1.2 and a rank of 35.6. On 4/7/05, TAC voted to affirm the priority and rank recommended by PRS. All segments were present for the vote; there were opposing votes from the IOU (two) and the REP (one) segments and abstentions from the Consumer (one), REP (three) and IOU (one) segments. ERCOT credit staff and the CWG have reviewed PRR558 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR559 - Regulation E10 Update and SCPS1/SCPS2 References. Proposed effective date: May 1, 2005. No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no impact to ERCOT business functions or grid operations.*** This PRR changes the value of the E₁₀ constant in the formula for Regulation Service monitoring criteria to the current value and adds references naming the SCPS1 and SCPS2 variables. ERCOT posted this PRR on 11/23/04. PRS reviewed PRR559 at its 1/20/05 meeting and unanimously voted to recommend approval as submitted. PRS reviewed ERCOT's impact analysis at its 02/17/05 meeting. On 3/3/05, TAC voted unanimously to recommend approval of PRR559. ERCOT credit staff and the CWG have reviewed PRR559 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR560 - QSE Qualification Using LaaRs. Proposed effective date: May 1, 2005. No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no impact to ERCOT business functions or grid operations.*** This PRR adds language describing how a QSE can qualify to provide Ancillary Services by using



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only LaaR Resources. ERCOT posted this PRR on 11/23/04. PRS reviewed PRR560 at its 1/20/05 meeting and voted to recommend approval as submitted with two abstentions from the Independent Generator and Consumer segments. PRS reviewed ERCOT's impact analysis at its 02/17/05 meeting. On 3/3/05, TAC voted unanimously to recommend approval of PRR560. ERCOT credit staff and the CWG have reviewed PRR560 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR561 - Remove Nuclear and Hydroelectric Generators from Automatic Deployment Software. Proposed effective date: May 1, 2005. No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems, ERCOT will alter a manual workaround currently in place; no impact to ERCOT business functions or grid operations.*** This PRR directs ERCOT to remove Nuclear and Hydro Electric generation from any software driven automatic solution to resolve congestion. ERCOT, however, retains the right to provide verbal dispatch instructions during an ERCOT emergency when it is deemed that the Hydro or Nuclear unit in question is uniquely qualified to resolve the problem. ERCOT posted this PRR on 12/9/04. PRS reviewed PRR561 at its 1/20/05 meeting and voted to recommend approval as revised by ERCOT comments. There was one opposing vote (Independent Power Marketer segment) and five abstentions (Independent Power Marketer (two), MOU (one), Consumer (one), Independent Generator (one) segments). PRS reviewed ERCOT's impact analysis at its February meeting. TAC voted to recommend approval of PRR561 with one abstention from the Independent Power Marketer segment. ERCOT credit staff and the CWG have reviewed PRR561 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR563 – Standard Form Blackstart Agreement – Payment. Proposed effective date: May 1, 2005. No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no impact to ERCOT business functions or grid operations.*** This PRR makes the language in Section 22A, Standard Form Black Start Agreement consistent with the changes implemented by PRR487 (Black Start Resources). ERCOT posted this PRR on 12/17/04. PRS reviewed PRR561 at its 1/20/05 meeting and voted unanimously to recommend approval as revised by TXU comments. PRS reviewed ERCOT's impact analysis at its 02/17/05 meeting. On 3/3/05, TAC voted unanimously to recommend approval of PRR563. ERCOT credit staff and the CWG have reviewed PRR563 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR579 – Trading Hubs Language Correction – URGENT. Proposed effective***



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date: May 1, 2005. No budgetary impact; no impact on ERCOT staffing; no impact to ERCOT business functions or grid operations. PRR579 corrects errors identified during the implementation of PRR547, Trading Hubs. PRR579 modifies Section 7.9.2.1 so that the calculation of the North 345 kV Trading Hub is consistent with the calculation of the other three regional Trading Hubs and replaces the specific minimum scheduling increments by hub in Section 7.9.3.4(2) with a Trading Hub to 2005 Congestion Zone conversion matrix. PRS granted urgent status for this PRR through an email vote. PRS considered PRR579 at its 03/17/05 meeting and unanimously voted to recommend approval. With all segments present, on 4/7/05, TAC voted unanimously to recommend approval of PRR579. ERCOT credit staff and the CWG have reviewed PRR579 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 with Board meeting materials. 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 PRRs 525, 540, 557, 558, 559, 560, 561, 563, and 579 as recommended by TAC 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 PRRs 525, 540, 557, 558, 559, 560, 561, 563, and 579 described herein.