



MEMO

Date: May 10, 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: May 17, 2005

Agenda Item No.: 11a

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 and approved the following PRRs and recommends them to the Board for approval:

- ***PRR565 – Calculation of Losses for Settlement. Proposed effective date: upon system implementation. Budgetary impact 6-LL (less than \$100,000); no impact on ERCOT staffing; small development effort to change Lodestar calculations and larger development effort to create and post the daily extract for the deemed actual Distribution Loss Factor; no impact on ERCOT business functions or grid operations.*** PRR565 allows Distribution Losses to be calculated using actual rather than forecasted ERCOT Load. Because forecasted ERCOT Load frequently differs from actual Load, the PRR will result in a more accurate loss calculation, improvement in UFE, and the basis for calculating distribution losses being consistent with that used for Transmission Losses. ERCOT posted this PRR on 12/22/04. On 1/20/05, PRS requested that ERCOT staff provide additional data and revised language. On 2/17/05, PRS reviewed and unanimously voted to recommend approval of the PRR as amended by ERCOT comments. On 3/17/05, PRS reconsidered PRR565 in light of additional comments submitted by ERCOT and voted to recommend approval of the PRR as amended by ERCOT comments and PRS. There was one abstention from the Independent Retail Electric Provider (REP) segment. Also on 3/17/05, PRS reviewed ERCOT's Impact Analysis and voted to assign PRR565 a priority of 3.1 and a rank of 111.5. One member from the Investor Owned Utility (IOU) segment abstained. All segments were present for the votes. This recommended priority and rank would place the project to implement PRR565



MEMO

on the current project priority list below the group of projects anticipated to be funded in 2005. On 4/7/05, TAC unanimously voted to recommend approval of PRR565 as submitted by PRS. ERCOT credit staff and the Credit Working Group (CWG) have reviewed PRR565 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR569 – Revision to Balancing Energy Payments from a Specific Resource. Proposed effective date: upon system implementation. Budgetary impact 6-LL (less than \$100,000); no impact on ERCOT staffing upon system implementation; some impact to Lodestar to code changes to incorporate the daily fuel index in settlement calculations and to complete testing; no impact to ERCOT business functions or grid operations.*** PRR569 modifies the payment for Resource-specific deployments to use the Fuel Index Price for the current Operating Day instead of the previous Operating Day. ERCOT posted this PRR on 1/21/05. On 2/17/05, PRS reviewed and voted to recommend approval of the PRR (with one member of the REP segment abstaining). On 3/17/05, PRS reviewed ERCOT's Impact Analysis and unanimously voted to assign PRR569 a priority of 1.2 and a rank of 34.5. All segments were present for the votes. This recommended priority and rank would place the project to implement PRR569 on the current project priority list within the group of projects anticipated to be funded in 2005. On 4/7/05, TAC unanimously voted to recommend approval of PRR569 as submitted by PRS; all segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR569 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR570 – Settlements of Local Congestion Costs. Proposed effective date: June 1, 2005. No budgetary impact; no impact on ERCOT staffing; no impact to ERCOT business functions or grid operations.*** PRR570 modifies Sections 7.4.3.1, Balancing Energy Up from a Specific Resource, and 7.4.3.2, Balancing Energy Down from a Specific Resource, to specify that Resources deployed for Balancing Energy Service will be paid the difference between the Market Clearing Price for Energy (MCPE) and the Up/Down Premium Bid. ERCOT posted this PRR on 1/21/05. On 2/17/05, PRS reviewed and unanimously voted to recommend approval of the PRR; all market segments were present for the vote. On 3/17/05, PRS reviewed ERCOT's Impact Analysis. On 4/7/05, TAC unanimously voted to recommend approval of PRR570 as submitted by PRS; all segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR570 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR571 – Balancing Energy Bid Cap. Proposed effective date: June 1, 2005. No***



MEMO

budgetary impact; no impact on ERCOT staffing; no impact to ERCOT business functions or grid operations. PRR571 revises the definition of balancing energy bid cap to clarify that Balancing Energy Service bids shall be between -\$1,000 per MWh and \$1,000 per MWh, inclusive, for all Resources. ERCOT posted this PRR on 1/21/05. On 2/17/05, PRS reviewed and unanimously voted to recommend approval of the PRR; all market segments were present for the vote. On 3/17/05, PRS reviewed ERCOT's Impact Analysis. TAC reviewed PRR571 at its 4/07/05 meeting and voted to recommend approval of PRR571 as presented. There was one abstention from the Municipal segment and all market segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR571 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR591 – Switchable Unit Declaration – URGENT. Proposed effective date: June 1, 2005.*** *No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; minor impact to ERCOT business functions; no impact to grid operations.* This PRR defines switchable Resources and requires the responsible Generation Entity to report to ERCOT whether the Resource is committed to another grid outside of ERCOT that would make it unavailable for capacity in the ERCOT market during the summer months. Resource availability would be considered Protected Information. ERCOT posted the PRR on 4/5/05. The submitter requested urgent status, but the PRR failed to garner enough e-mail votes. On 4/21/05 PRS reconsidered urgency and unanimously voted to approve urgent status for the PRR so that the data for the switchable Resources can be available for summer 2005. Also on 4/21/05 PRS voted to recommend approval of the PRR. There were two opposing votes from Municipal segment and one opposing vote from the Electric Cooperative segment. All segments were present for the vote. On 5/5/05, TAC voted to recommend approval of PRR591 as submitted by PRS. There was one opposing vote from the Municipal segment and four abstentions (Independent Power Marketer, IOU, and two from the Consumer segments). All segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR591 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR594 – Replacement Reserve Service Payment Formulas – URGENT. Proposed effective date: June 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 modifies the formulas for payments to QSEs for services provided by Resources so that they are reflected as negative amounts to be consistent with other sections in the Protocols regarding Resource payments. This PRR also corrects internal references and deletes duplicate



MEMO

formulas. On 4/18/05 PRS approved urgent status via email vote so that the Protocol revision would be effective prior to Energy and Market Management System (EMMS) Release 4 implementation. On 4/21/05, PRS unanimously voted to recommend approval of PRR594. All segments were present for the vote. On 5/5/05, TAC unanimously voted to recommend approval of PRR594 as submitted; all segments were present for the TAC vote. All segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR594 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR596 – Mothballed Generation Resource Estimated Return to Service Dates – URGENT. Proposed effective date: June 1, 2005. No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; minor impact to ERCOT business functions; no impact to grid operations.*** This revision requires owners of Mothballed Generation Resources to annually provide to ERCOT projections of the MW of generation capacity of currently Mothballed Generation Resources that will return to service over the next five years. On 4/21/05, after unanimously voting to waive notice, PRS approved urgent status because the data to be generated from this PRR is necessary to complete the reserve margin calculation that will result from the work of the Generation Adequacy Task Force. Also on 4/21/05, PRS voted to recommend approval of PRR596 with six opposing votes (two Municipal, two Consumer, two Independent Power Marketer) and one abstention (Independent REP). All segments were present for the vote. On 5/5/05, TAC voted to recommend approval of PRR596 as submitted by PRS. There were 20 yes, 8 nays (one from the Municipal, one from the IOU, and 6 from the Consumer segments). ERCOT credit staff and the CWG have reviewed PRR596 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 565, 569, 570, 571, 591, 594, and 596 as recommended by TAC or as modified by the Board; (2) reject the TAC recommendations; or (3) remand any PRRs to TAC with instructions.



MEMO

Conclusion/Recommendation:

As more specifically described above, TAC and ERCOT Staff recommend the Board approve PRRs 565, 569, 570, 571, 591, 594, and 596 described herein.