



MEMO

Date: June 14, 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: June 21, 2005

Agenda Item No.: 14

Issues:

1. Consideration of Protocol Revision Requests (PRRs).
2. Notification to the Board of TAC's affirmation of the withdrawal of PRR552, Appropriate Use of Relaxed Balanced Schedules.

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:

- ***PRR555—Modify Number of Sub-QSEs a Single Entity Can Partition. Proposed effective date: July 1, 2005. No budgetary impact; no impact to grid operations. ERCOT staff will accommodate additional sub-QSE registrations via implementation plans as needed in order to avoid overburdening staff or systems while still allowing room for additional new QSE registrations.*** This PRR removes the limit on the number of Sub-QSEs an Entity can register with ERCOT, and gives ERCOT the authority to determine implementation plans for additional Sub-QSEs. ERCOT posted this PRR on 11/9/04. At its December meeting, PRS requested that ERCOT complete a detailed impact analysis for PRS review. At its January meeting PRS discussed data provided by ERCOT and requested that additional information be provided for its February meeting. PRS reviewed more information from ERCOT on 2/17/05; the sponsor requested the opportunity to redraft a portion of the PRR for PRS consideration in March. PRS considered PRR555 on 3/17/05 and voted to recommend approval of the PRR as amended by PRS, ERCOT and Calpine. On 4/21/05, PRS affirmed ERCOT's impact analysis. On 5/5/05, TAC unanimously voted to recommend approval of PRR555 as amended by ERCOT Staff and TAC. All segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR555 and do not believe that it requires changes to credit monitoring



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activity or the calculation of liability.

- **PRR564—OOME Definition. Proposed effective date: July 1, 2005.** *No budgetary impact; minor impact to ERCOT staffing; no impacts to ERCOT computer systems; an additional business function will be incorporated into Control Room Operations procedures documentation; activation of a special protection scheme (SPS) will require the ERCOT Control Room to perform verbal confirmation with a TSP and a verbal Dispatch Instruction (VDI) to the affected QSE.* This PRR provides ERCOT guidance when there is an actuation of a SPS. ERCOT posted this PRR on 12/17/04. PRS discussed the PRR during its February meeting; the sponsor agreed to redraft the PRR for PRS consideration in March. PRS considered PRR564 on 3/17/05 and voted to recommend approval as amended by ANP, Calpine and ERCOT. There were three abstentions from the MOU, IOU, and Consumer segments and three opposing votes from the MOU, Consumer, and Independent Power Marketer segments. All segments were present for the vote. On 4/21/05, PRS affirmed ERCOT's impact analysis. On 5/5/05, TAC voted to recommend approval of this PRR as submitted by PRS. There were five abstentions from the Consumer segment; all segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR564 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- **PRR572—Weather Sensitivity Classification. Proposed effective date: July 1, 2005.** *No budgetary impact; no impact to ERCOT staffing; minor changes to Lodestar system can be incorporated into PR-40075 that is addressing PRR488 (Weather Responsiveness Determination); no impact to ERCOT business functions; no impact to grid operations.* This PRR creates procedures to determine weather sensitivity classifications when an ESI ID is inactive or de-energized. ERCOT posted this PRR on 2/9/05. PRS considered PRR572 on 3/17/05 and unanimously voted to recommend approval. All segments were present for the vote. On 4/21/05 PRS affirmed ERCOT's impact analysis. On 5/5/05, TAC voted unanimously to recommend approval of PRR 572 with all Market segments present. ERCOT credit staff and the CWG have reviewed PRR572 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- **PRR575—Mandatory Down Balancing Ramp Rate. Proposed effective date: July 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 creates new subsection 4.5.2(3) that clarifies that the Mandatory Down Balancing Bid amount should be deployable within one hour. ERCOT posted this PRR on 2/11/05. PRS considered PRR575 on 3/17/05 and voted



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to recommend approval as amended by PRS and ERCOT. There were two opposing votes from the Independent Power Marketer segment and six abstentions from the Independent Generator and IOU segments. All segments were present for the vote. On 4/21/05 PRS affirmed ERCOT's impact analysis. On 5/5/05, TAC voted unanimously to recommend approval of PRR 564 with all market segments present. ERCOT credit staff and the CWG have reviewed PRR575 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR576—Disclosure of OOME, OOMC, and RMR Service. Proposed effective date: July 1, 2005.*** *No budgetary impact; no impact to ERCOT staffing; minor impact to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations.* This PRR changes the deadline for ERCOT to post the amount of OOM and RMR energy provided by each Resource from seventeen Business Days to the Business Day following issuance of the Initial Settlement Statement and adjusts the timing of other OOM posting requirements. ERCOT posted this PRR on 2/11/05. PRS considered PRR576 on 3/17/05 and voted to recommend approval as submitted with one member from the Independent Power Marketer segment opposed. All segments were present for the vote. On 4/21/05 PRS affirmed ERCOT's impact analysis. On 5/5/05, TAC unanimously voted to recommend approval of PRR576 as submitted. All Market Segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR576 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR587—Intrayear Modification of CRE—URGENT. Proposed effective date: July 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 addresses Recommendation 4 of Potomac Economics' recommendations to improve ERCOT's wholesale market design by allowing ERCOT staff the authority to modify Closely Related Elements (CREs) intrayear. PRR587 also requires ERCOT staff to present intrayear modifications to the CRE list to TAC for approval and requires TAC to act within seven days to deny the modifications. ERCOT posted this PRR on 3/25/05. The submitter requested urgent status to be responsive to the PUCT's desire to have the Potomac recommendations addressed by the end of June 2005. PRS granted urgent status via e-mail vote on 4/18/05. On 4/21/05, PRS unanimously voted to recommend approval of PRR587 as revised by CMWG, ERCOT staff, and PRS. On 5/19/05, PRS noted that there was no change to the ERCOT impact analysis for PRR587 and that no project prioritization was required. On 6/2/05, TAC unanimously voted to recommend approval of PRR587 as recommended by PRS. ERCOT credit staff and the CWG



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have reviewed PRR587 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR589—CSC and Zone Determination—URGENT. Proposed effective date: July 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 addresses Recommendation No. 1 of Potomac Economics' recommendations to improve ERCOT's wholesale market design by strengthening ERCOT staff's role in the CSC and zone determination process. This PRR would also eliminate Board approval of NOIE exemptions from the CSC determination process. ERCOT posted this PRR on 4/1/05. The submitter requested urgent status to be responsive to the PUCT's desire to have the Potomac recommendations addressed by the end of June 2005. PRS granted urgent status via e-mail vote on 4/18/05. On 4/21/05, PRS voted to recommend approval of PRR589 as revised by ERCOT staff and PRS. There was one opposing vote from the Consumer segment and one abstention from the Independent Power Marketer segment. All segments were present for the vote. On 5/19/05, PRS noted that there was no change to the ERCOT impact analysis for PRR589 and that no project prioritization was required. On 6/2/05, TAC unanimously voted to recommend approval of PRR589 as revised by TAC. ERCOT credit staff and the CWG have reviewed PRR589 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR592—Modify Shift Factor Calculation to Exclude Fixed Output Generators—URGENT. Proposed effective date: November 1, 2005. No budgetary impact; negligible impact to ERCOT staffing; no impacts to ERCOT computer systems; negligible impact to ERCOT business functions; no impact to grid operations.*** This PRR addresses Potomac Economics' Recommendation #3 and modifies the calculation of the monthly zonal Shift Factors used to manage and settle zonal congestion. ERCOT posted this PRR on 4/5/05. The submitter requested urgent status to be responsive to the PUCT's desire to have the Potomac recommendations addressed by the end of June 2005. The PRR did not receive enough votes for processing under an urgent timeline. PRS granted urgent status upon reconsideration during its 4/21/05 meeting. There were five opposing votes: one from the IOU segment; two from the Independent Generator segment; and two from the Coop segment. On 5/19/05, PRS unanimously voted to recommend approval of PRR592 as amended by ERCOT comments. On 5/19/05, PRS noted that there was no change to the ERCOT impact analysis for PRR592 and that no project prioritization was required. On 6/2/05, TAC unanimously voted to recommend approval of PRR587 as recommended by PRS. ERCOT credit staff and the CWG



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have reviewed PRR592 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

At its most recent meeting, TAC also affirmed the withdrawal of PRR552. No Board action is required; however a summary of the PRR's history is provided:

PRR552—Appropriate Use of Relaxed Balanced Schedules. PRR 552 was posted on 10/25/04. PRS considered this PRR at its 11/19/04 meeting. ERCOT Staff posted the Impact Analysis on 12/08/04. PRS reviewed the IA on 12/15/04 and reconsidered the PRR to include ERCOT Staff comments. On 1/6/05, TAC voted unanimously to recommend approval of the PRR. The Board considered PRR 552 on 2/21/05 and remanded this PRR to TAC. TAC remanded this PRR to PRS on 3/3/05. PRS reconsidered this PRR and revised its description at its 3/17/05 meeting. On 4/7/05, TAC reviewed PRS' recommendation and remanded the PRR back to PRS. On 5/19/05, the PRS Chair informed PRS that the submitter had requested to withdraw PRR552. No party objected to the withdrawal. On 6/2/05, TAC voted unanimously to affirm the withdrawal of the PRR. All market segments were present for the vote.

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 555, 564, 572, 575, 576, 587, 589 and 592 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 555, 564, 572, 575, 576, 587, 589, and 592 described herein.