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Date: August 9, 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: August 16, 2005

Agenda Item No.: 10a

Issue:

Consideration of Protocol Revision Requests (PRRs) and System Change Requests (SCRs).

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 and the SCR described herein. TAC considered and approved the following PRRs and SCR and recommends them to the Board for approval:

- ***PRR568 – Change Initial Settlement from 17 days to 10 days. Proposed effective date: upon TAC approval of transition plan. No budgetary impact; additional workload will be absorbed by current staff; minor coding changes to Lodestar; change to settlement process from 17 to 10 day Initial Settlement; no impact to grid operations.*** This PRR changes the day ERCOT issues the Initial Settlement Statement from 17 days to 10 days following the Operating Day. ERCOT posted this PRR on 1/19/05. PRS referred PRR568 to COPS on 2/17/05. PRS reviewed COPS comments in March, and voted to remand the PRR back to COPS for further development. On 5/19/05, PRS voted unanimously to recommend approval of PRR568 as amended by comments from ERCOT and COPS. On 6/23/05, PRS reviewed the Impact Analysis for PRR568 and discussed the transition timeline. On 7/7/05, TAC voted unanimously to approve PRR568 as recommended by PRS and the transition plan as amended by TAC (included in the Board materials for informational purposes). All segments were present for the vote. CWG agrees that PRR 568 has credit implications. As long as the quality of the data for billing is approximately the same for settlements at 10 days versus 17 days (that is, the estimations by QSE are reasonably accurate, resulting in about the same adjustments for Finals and True-up), CWG believes that this PRR will reduce credit exposure and therefore collateral requirements for QSEs. Also, reducing the payment cycle by one week, as well as reducing the settlement timeline, will have a greater impact on reducing credit exposure.
- ***PRR588 – Testing of Quick Start Units in the Balancing Energy Market. Proposed effective date: upon implementation of OGRR171 (Testing of Quick Start Units in the***



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Balancing Energy Market). *No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations.* This PRR establishes a test for a Quick Start Unit, as defined in the PRR, to demonstrate its ability to perform in the Balancing Energy Services (BES) market. OGRR171 will update the Operating Guides with the Quick Start qualifications testing process. ERCOT posted this PRR on 4/1/05. On 5/19/05, PRS voted unanimously to recommend approval as amended by ERCOT. On 6/23/05, PRS noted that PRR588 has no system impacts and does not require a project. On 7/7/05, TAC voted to recommend approval of this PRR as submitted by PRS. The motion passed with five abstentions (Consumers) and one vote opposed (IOU). All market segments were present. ERCOT credit staff and the CWG have reviewed PRR588 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- **PRR590 – Update Unit Telemetry Requirement. Proposed effective date: upon system implementation.** *Budget impact less than \$100,000; short-term impact to ERCOT Network Modeling team and minor long-term impact due to new business function; impact to Energy and Market Management System (EMMS), Inter-Control Center Protocol (ICCP), Remote Terminal Unit (RTU), and Plant Interface (PI) systems; new business function to analyze the collected real-time Automatic Generation Control (AGC) status and ramp rates for each generating unit and aggregate of combined cycle units; no impact to grid operations.* This PRR adds a requirement for QSEs to submit Real Time AGC status and Ramp Rate for all online units in their portfolio. ERCOT posted this PRR on 4/1/05. On 5/19/05 PRS voted unanimously to recommend approval of PRR590 as amended by comments submitted by ERCOT staff, FPL, Exelon and PRS. On 6/23/05, PRS reviewed the impact analysis and determined that the project to implement PRR590 should be prioritized for 2006. On 6/27/05, PRS recommended a priority of 1.2 and a rank of 83 for PRR590. On 7/7/05, TAC voted unanimously to approve PRR590 as recommended by PRS. All segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR590 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- **PRR595 - ERCOT Protocol Section 10. Proposed effective date: September 1, 2005.** *No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations.* This PRR clarifies and makes Section 10, Metering, consistent with current market and ERCOT processes. ERCOT posted this PRR on 4/19/05. On 5/19/05, PRS voted unanimously to recommend approval of PRR595 as submitted. On 6/23/05, PRS noted that PRR595 has no system impacts and does not require a project. On 7/7/05, TAC voted unanimously to approve PRR595 as recommended by PRS. All segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR595 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- **PRR597 - Texas Test Plan Team. Proposed effective date: September 1, 2005.** *No*



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budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations. This PRR updates Section 23, Texas Test Plan Team – Market Testing. ERCOT posted this PRR on 4/20/05. On 5/19/05, PRS voted unanimously to recommend approval of PRR597 as amended by comments submitted by ERCOT staff. On 6/23/05, PRS noted that PRR597 has no system impacts and does not require a project. On 7/7/05, TAC voted unanimously to approve PRR597 as recommended by PRS. All segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR597 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR614 - Balancing Bids for Replacement Capacity – URGENT. Proposed effective date: upon system implementation.*** *Budgetary impact less than \$100,000; no impact to ERCOT Staffing; minor change to the bid point verification procedure in the market database to confirm that awarded Replacement Reserve Service (RPRS) megawatts that are bid to the Balancing Energy market are within the unit sustainable limits; no impact to ERCOT business functions; no impact to grid operations.* This PRR requires a QSE for Resource awarded RPRS to bid an amount of MW into the Balancing Energy market that conforms to the difference between the high and low limits of the unit. ERCOT posted this PRR on 6/30/05. PRS granted urgent status to PRR614 through an email vote on 7/5/05. On 7/21/05, PRS voted to recommend approval of the PRR as amended by PRS and comments submitted by Tenaska and ERCOT Staff. There was one abstention from the Consumer segment; no REPs were present for the vote. On 6/27/05, PRS voted to recommend a priority of 1.1 and a rank of 32.6. On 8/4/05, TAC voted unanimously to recommend approval of PRR614 as amended by ERCOT, Tenaska and TAC. ERCOT credit staff and the CWG have reviewed PRR614 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***SCR742 - Automated Retail Transaction Verification. Proposed effective date: Upon system implementation.*** *Budgetary impact to build interface to Market Certification environment – estimated cost \$500,000 to \$1,000,000; an additional 1-2 FTEs are expected to be required to support the requested business functionality; interface components to Market Certification environment would have to be built; additional ERCOT business support required for market participants and application maintenance; no impact to grid operations.* This SCR will implement three functional requirements (transaction validation, file transfer protocol requirements and transaction samples) for tools allow the Market Participants to conduct automated pre-testing of retail transactions and reduce the test flight error rate. ERCOT posted this SCR on 03/01/05. RMS considered SCR 742 on 04/12/05. On 05/19/05, PRS voted to recommend assignment of a priority 1.3 and a rank of 57.7. On 06/02/05, TAC requested additional market benefit information from RMS. Prior to the RMS meeting on 06/15/05, revisions were made to the Overall Market Benefit, Overall Market Impact and Customer Impact sections of the RMS Recommendation Report. After review and discussion, RMS voted to approve a revised RMS Recommendation Report and



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send the revised report to TAC. There were two abstentions from the Consumer and Generator segments. All Market segments were present for the vote. During the 2006 prioritization process at RMS, the group recommended that SCR742 be prioritized as a 2.3. On 6/27/05, PRS concurred with RMS's recommendation of a priority of 2.3 for 2006. On 7/7/05 TAC unanimously voted to recommend approval of SCR742 as recommended by RMS. All 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, the SCR 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 568, 588, 590, 595, 597, and 614 and SCR742 as recommended by TAC or as modified by the Board; (2) reject the TAC recommendations; or (3) remand any PRRs or the SCR to TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC and ERCOT Staff recommend the Board approve PRRs 568, 588, 590, 595, 597, and 614 and SCR742 described herein.