



MEMO

Date: September 13, 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: September 20, 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 SCRs described herein. TAC considered and approved the following PRRs and recommends them to the Board for approval:

- ***PRR599 - Notification for Mismatched Inter-QSE Energy Schedules. Proposed effective date: to coincide with implementation of PRR 548 (Settlement for Mismatched Inter-QSE Energy Schedules). Budgetary impact less than \$100,000; no impact to ERCOT staffing; minor coding changes to Lodestar; change to Settlements business process to provide a record of the mismatch amount to affected QSEs for reconciliation purposes; no impact to grid operations.*** This PRR requires that notice be provided to **both** QSEs involved in a mismatch in the event that ERCOT remedies a mismatch as prescribed PRR548 (Protocol Section 6.9.8, Settlement for Mismatched Inter-QSE Energy Schedules). This PRR will provide a record of the amount of the mismatch to both parties involved in the mismatch, which assist Market Participants in reconciliation of mismatches. ERCOT posted this PRR on 5/2/05. On 6/23/05, PRS unanimously voted to recommend approval of PRR599; all market segments were present for the vote. On 7/27/05, PRS unanimously voted to recommend a priority of 1.2 and rank 34.4. On 8/4/05, with all segments present, TAC unanimously voted to recommend approval of PRR599 as submitted by PRS. ERCOT credit staff and the CWG have reviewed PRR599 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR600 - Align BES Bids with Resource Plan Capability and Resource Schedule. Proposed effective date: October 1, 2005. No budgetary impact; no impact to***



MEMO

ERCOT staffing; no impact to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations. This PRR documents the current ERCOT practice of limiting Balancing Energy Service (BES) bids by the difference in Capacity in the Resource Plan and Resource Obligations. PRR600 is responsive to Potomac Economics Recommendation No. 8, implementation of an optional capability for QSEs to automatically adjust their hourly Balancing Energy offers for the changes in their 15-minute schedules. This PRR is intended to ensure that the participant's portfolio energy offer is consistent with its energy schedules when the energy schedule is changing each interval. ERCOT posted this PRR on 5/4/05. On 6/23/05, PRS voted to recommend approval of PRR600 as modified by ERCOT comments and PRS. There were three opposing votes from the Independent Power Marketer, the Independent Generator and the IOU segments and two abstentions from the IOU and Municipal segments; all market segments were present for the vote. On 7/21/05, PRS noted that PRR600 has no impact to ERCOT computer systems and that no project priority is necessary. On 8/4/05, with all segments present, TAC unanimously voted to recommend approval of PRR600 as submitted by PRS. ERCOT credit staff and the CWG have reviewed PRR600 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR601 - 15 Minute Ramping for BES and Base Power Schedule. Proposed effective date: upon system implementation. Budgetary impact \$100,000-500,000; no impact to ERCOT staffing; no impact to grid operations. Existing ERCOT resources in Settlements, Market Operations, and System Operations will be used to implement this PRR. This PRR impacts Lodestar, Scheduling, Pricing, and Dispatch (SPD), and Automatic Generation Control (AGC) systems. ERCOT will create a coordinated testing plan to ensure successful deployment across the market. This PRR increases the ramping period for BES deployment and for Base Power Schedule changes from 10 minutes to 15 minutes. PRR601 implements Potomac Economics Recommendation No. 9, elimination of the "plateau" during the interval. ERCOT posted this PRR on 5/4/05. On 6/23/05, PRS voted to recommend approval of PRR601, as modified by ERCOT comments and PRS, with one abstention from the Independent REP segment; all market segments were present for the vote. On 7/27/05, PRS unanimously voted to recommend a priority of 1.2 and rank 79.5. On 8/4/05, with all segments present, TAC unanimously voted to recommend approval of PRR601 as submitted by PRS. ERCOT credit staff and the CWG have reviewed PRR601 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.***
- ***PRR603 - Defaulted QSE Settlement for Ancillary Services Procured During an***



MEMO

Adjustment Period Ancillary Service Market. Proposed effective date: October 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 settlement costs for defaulting QSE in a subsequent A/S market by removing a duplicate sentence in Section 6.6.3.2 of the current Protocols; by removing Section 6.9.1.5(2) because this subsection is unnecessary in light of Section 6.9.1.5(1); and by modifying Section 6.9.1.5 (3) to remove other unnecessary language. ERCOT posted this PRR on 5/23/05. On 6/23/05, PRS unanimously voted to recommend approval of PRR603 as submitted; all market segments were present for the vote. On 7/21/05, PRS noted that PRR603 has no impact to ERCOT computer systems and that no project priority is necessary. On 8/4/05, with all segments present, TAC unanimously voted to recommend approval of PRR603 as submitted by PRS. ERCOT credit staff and the CWG have reviewed PRR603 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR604 – Replacement Reserve Service Bid Cap. Proposed effective date: October 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 provides explicit language to state that bids submitted for Replacement Reserve Service (RPRS) shall not exceed \$1,000. ERCOT posted this PRR on 5/25/05. On 6/23/05, PRS unanimously voted to recommend approval of PRR604 as amended by PRS; all market segments were present for the vote. On 7/21/05, PRS noted that PRR604 has no impact to ERCOT computer systems and that no project priority is necessary. On 8/4/05, with all segments present, TAC unanimously voted to recommend approval of PRR604 as submitted by PRS. ERCOT credit staff and the CWG have reviewed PRR604 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR606 - User Security Administrators and Digital Certificates - URGENT. Proposed effective date: October 1, 2005 (Note: TAC recommends that the Board allow a one month delay in the audit deadlines of September 1 for ERCOT and October 1 for Market Participants for this year only).*** No budgetary impact; additional workload to ERCOT IT, Client Services and Cyber Security will be absorbed by current staffing levels; no impact to ERCOT computer systems; new procedures in Retail and Wholesale Client Services and Cyber Security; no impact to grid operations. This PRR creates new Section 16.11, User Security Administrators and Digital Certificates, defining User Security Administrators (USAs) and Digital Certificates; outlining responsibilities of the USAs; and requiring Market Participants to report results of annual audits of their Digital



MEMO

Certificates to ERCOT. ERCOT posted this PRR on 5/27/05. On 6/1/05, PRS did not approve the submitter's request for urgency (via email vote). The submitter requested reconsideration of urgent status during the 6/23/05 PRS meeting. There was no support for the motion. After discussion, PRS voted unanimously to refer the PRR to the Texas Data Transport Working Group (TDTWG) to host a workshop to develop comments and submit them for consideration by PRS no later than 7/14/05. On 7/21/05, PRS discussed comments submitted by TDTWG, ERCOT Staff, CenterPoint Energy, and Brazos Electric Cooperative. PRS then voted to refer the PRR back to TDTWG for further consideration. On 8/24/05, PRS voted to recommend approval of PRR606 as amended by the TDTWG. There were two opposing votes from the Municipal and IPM segments; all segments were present for the vote. Also on 8/24/05, PRS voted to grant urgent status with two abstentions from the IPM and Independent Generator segments. On 9/8/05, TAC voted to recommend approval of PRR606 as amended by comments from ERCOT Staff (9/7/05). TAC also recommended that, for 2005 only, the Board allow ERCOT to issue lists of Digital Certificates to Market Participants on October 1, 2005 (instead of September 1) and Market Participants to return their attestations to ERCOT on November 1, 2005 (instead of October 1). The adjustments to these dates will create sufficient time for ERCOT to process the audit results before the end of 2005. There was one opposing vote from the Consumer segment and five abstentions from the Municipal (2) and Independent Generator (3) segments. ERCOT credit staff and the CWG have reviewed PRR606 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- **SCR743 – QSE Dispute Extract. Proposed effective date: upon system implementation.** Budget impact less than \$100,000; existing ERCOT resources within the Siebel and EIS teams will complete implementation; Siebel database and Data Delivery Module used to deliver data extracts to TML will be impacted; no long term impact to ERCOT business functions; no impact to grid operations. This SCR provides QSEs with detailed information regarding settlements disputes and allows the ability to monitor the status of settlement disputes in a more efficient manner. SCR743 was posted on 05/12/2005. On 6/27/05, PRS reviewed the 2006 market project list and recommended a priority of 1.2 and a rank of 81 for SCR743. On 06/28/05 COPS unanimously voted to recommend approval of SCR743. All Market segments were present. On 7/26/05, COPS reviewed the Impact Analysis. On 8/4/05, with all market segments present, TAC unanimously voted to recommend approval of SCR743. On 8/24/05 PRS unanimously voted to assign SCR743 a priority of 1.2 for 2005 so that a project can be initiated in 2005 if resources and funding become available. On 9/8/05, TAC voted unanimously to



MEMO

recommend approval of the 2005 priority presented by PRS.

- **SCR744 - Outage Scheduler View Only Access. Proposed effective date: upon system implementation.** Budget impact \$100,000 to 500,000; Existing ERCOT resources from Web Services, Outage Scheduler, EIS (Enterprise Information Services), and Production Support groups will complete this request; minor changes to Outage Scheduler and modifications to the Texas Market Link (TML), although the system configuration changes are minor, there will be considerable testing involved to ensure that all other user roles within the TML matrix will not be negatively impacted; administration of Digital Certificates will be expanded to include View Only Digital Certificates; no impact to grid operations. This SCR adds view only access functionality to authority options for the User Security Administrator (USA). SCR744 was posted on 5/2/05. ROS considered the SCR on 6/16/05. ROS reviewed the SCR Impact Analysis on 7/14/05. On 7/27/05, PRS reviewed the Impact Analysis and recommended a priority of 1.1 and rank of 38. On 8/4/05, with all segments present, TAC unanimously voted to recommend approval of SCR744 as submitted by PRS.

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 by interested parties to ERCOT and recommendation reports from the PRS: <http://www.ercot.com/AboutERCOT/PublicDisclosure/ProtocolRev.htm>

Alternatives:

(1) Approve PRRs 599, 600, 601, 603, 604 and 606, and SCRs 743 and 744 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 599, 600, 601, 603, 604 and 606, and SCRs 743 and 744 described herein.