



MEMO

Date: September 13, 2005
To: Board of Directors
From: Read Comstock, TAC Chair
Subject: Delay of 2005 Annual Validation for Profiles of Residential ESI IDs

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: September 20, 2005

Agenda Item No.: 10c

Issue:

Approval of temporary suspension of the annual validation of Load Profiles for Residential ESI IDs.

Background/History:

On an annual basis, the Load Profile assigned to each ESI ID (customer premise) must be validated to make sure it has been assigned the most appropriate Profile. Load Profiles are a key part of daily energy scheduling and ERCOT settlement. The validation process is set forth in the Load Profiling Guides Section 11.4, *Annual Validation of Load Profile IDs*. The Annual Validation process begins each year in June, and the submission of transactions to change Load Profile IDs in ERCOT systems takes place between October 1 and November 10. During the Annual Validation Process for this year, ERCOT and Market Participants again have observed an excessively high volume of ESI IDs migrating between profile types, which are indicative of a potentially inadequate validation process and algorithm to make proper Profile identification.

Protocols Section 18.4.3, *Load Profiling ID Assignment*, allows the Board to approve temporary changes to the yearly process for assigning and validating Load Profile IDs to address unusual circumstances. Until a determination of the accuracy and effectiveness of this year's assignment changes has been made, TAC recommends a delay in this annual process.

The initial validation process was developed in 1999 and the initial Load Profile data was loaded in ERCOT systems in 2001. In 2003, the validation methodology was revised to improve the algorithm and 1.6 million ESI IDs were transferred from one profile to another. In 2004, on the recommendation of RMS and TAC, the Board suspended the residential annual validation to allow an examination of the underlying problems (that year 1 million ESI IDs were identified for migrations). Many of the ESI IDs identified in 2004 were



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reversals from the 2003 validation process. As a result, the market lost confidence in the validation process. In 2004, more algorithm improvements were made to the validation process to reduce the number of ESI ID migrations. In 2005, ERCOT implemented the improved algorithm, but has still identified an unreliaibly high number for migration, 580,000 ESI IDs, from one profile to another. As a result, on 8/10/05, RMS voted to recommend delaying the Load Profile ID assignment process for residential ESI IDs pending further analysis. On 9/8/05, TAC concurred with RMS and voted in support of recommending the delay with one abstention from the IOU segment.

During the TAC meeting September 8, an additional concern was raised about Load Profile validation for *Non-Residential* ESIIDs as well. Specifically it was pointed out that allowing these profile assignment changes to proceed on schedule would interfere with the testing now taking place to evaluate changes to the settlement timeline under PRR568, *Change Initial Settlement*, from 17 days to 10 days. The Board approved PRR568 at the August Board meeting.

At the September 14th meeting RMS is scheduled to consider recommending the temporary suspension of annual validation for *all* ESI IDs until after November 4, 2005. Based on the outcome of the RMS discussion, the TAC will provide an update to the Board on all these issues at the September 20th Board meeting.

Key Factors Influencing Issue:

TAC and RMS recommend the delay because the number of ESI ID migrations is still too high and there is insufficient confidence in the market in the Load Profile assignment algorithm. The three main factors influencing the issue are:

1. ERCOT Staff has developed a testing process to determine whether the 580,000 ESI ID changes will actually improve settlement accuracy. This testing process, which will be completed on 10/31/05, will consist of two components:
 - a. Using the results of the residential customer survey, which is currently underway, to determine the accuracy of the 580,000 Residential Profile ID changes.
 - b. Running test settlements for a sample of 30 days to quantify the impact of making the Profile ID changes.
2. Continuation with the annual validation would adversely impact data being used by the market and ERCOT to confirm the impact of implementing PRR568. The test period for PRR568 will end after initial settlement has been run for 10/15/05.
3. Once the ERCOT analysis is complete and a determination has been made, TDSPs and ERCOT can resume the Load Profile validation process or delay until next year for validation. TAC will report to the Board no later than December concerning lifting the



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suspension.

Alternatives:

In lieu of approving the TAC and RMS recommendation, the Board may:

1. Deny request; or
2. Delay for a different time period.

Conclusion/Recommendation:

TAC Recommends that the Board temporarily suspends the 2005 Annual Validation of Profiles for Residential ESI IDs until ERCOT completes analysis of the assignment accuracy and settlement impacts of the current algorithm.