



MEMO

Date: October 11, 2005
To: ERCOT Board
From: Sam Jones, COO
Subject: 2006 Ancillary Service Requirements Determination Methodologies

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: October 18, 2005

Agenda Item No.: 8c

Issue:

Section 6.4.1(4) of the ERCOT Protocols require that "[t]he ERCOT Board shall review and approve ERCOT's methodology for determining the minimum Ancillary Service requirements and the monthly percentage of Load acting as a Resource allowed to provide Responsive Reserve Service." ERCOT Staff and TAC recommend that the Board approve the revised methodologies described in Attachment A to be effective for 2006.

Background/History:

Ancillary Services are necessary to maintain the reliability of the ERCOT system. The ERCOT Protocols define these Ancillary Services and charge ERCOT with determining a methodology for establishing the minimum levels of Ancillary Services required. ERCOT Staff developed proposed changes to the methodologies previously approved by the ERCOT Board. The Reliability and Operations and Wholesale Market Subcommittees and TAC reviewed the revised methodologies. TAC approved the revised methodologies at its October 6, 2005, meeting.

Key Factors Influencing Issue:

Ancillary Services are necessary to ensure that there are sufficient resources to serve system load and maintain system frequency in the ERCOT system. Determining the minimum amount of services required to do this is based on operating experience, analysis and professional judgment. The proposed methodologies reflect ERCOT's best judgment on minimum Ancillary Services needed for the ERCOT Single Control Area. Some flexibility in these requirements is necessary to accommodate actual conditions.

The only changes from the 2005 Methodologies for Determining Ancillary Services Requirements document approved by the Board last year are:

- Non-substantive editing to improve readability of the document
- Inclusion of historical deployments of Responsive Reserve in analyzing future needs for



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Methodologies and resulting quantities procured for other Ancillary Services (Replacement Reserve, Responsive Reserve, Non-Spinning Reserve and Balancing Energy) remain unchanged from 2005.

Alternatives:

(1) Approve the recommendation on the ERCOT Methodologies for Determining Ancillary Service Requirements as approved by TAC or as modified by the Board; (2) reject the recommendation; or (3) remand to ERCOT Staff with instructions.

Conclusion/Recommendation:

TAC and ERCOT Staff recommend that the Board approve the proposed changes to the methodologies for determining Ancillary Service requirements as presented herein.