



MEMO

Date: November 8, 2005
To: ERCOT 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: November 15, 2005

Agenda Item No.: 12a

Issue:

Consideration of Protocols Revision Requests (PRRs).

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 Protocol Revision Requests (PRRs) described herein. TAC considered the issues and voted to take action on the PRRs as described below.

TAC considered the following PRRs and recommends them to the Board for approval:

- ***PRR567 – Block Bidding of Ancillary Services. Proposed effective date: upon system implementation. Budgetary impact - \$1 to 3 million; minimal impact to ERCOT staffing; impact to Ancillary Service (AS) Clearing Engine to provide three-part bidding, Market Operations System (MOS), Market Operator Interface (MOI), and Market User Interface (MUI); minimal impact to ERCOT business functions; no impact to grid operations.*** This PRR creates a three part bidding structure for AS. The three parts are (1) Startup cost; (2) per megawatt capacity offer; and (3) minimum operating cost. ERCOT posted this PRR on 1/19/05. PRS reviewed the PRR during its February meeting. The sponsor requested deferral until the March PRS meeting. PRS discussed additional information submitted by the sponsor and voted to refer PRR567 to a PRS task force for further development. On 5/2/05, PRS discussed comments submitted by the task force, and the sponsor agreed to call another meeting to address ERCOT staff's questions and other outstanding issues. On 5/19/05, PRS considered comments submitted by the task force and decided to defer action to its June meeting. On 6/23/05, PRS voted (54.3% in favor, 45.7% opposed) to recommend approval of PRR567. On 7/21/05, PRS unanimously voted to defer consideration of the Impact Analysis for PRR567 until the August meeting; all segments were present for the vote. On 8/24/05, PRS voted to assign a priority of 3.3 with six opposing votes from the Municipal, IOU, Independent Generator (2), and IPM (2) segments. On 9/8/05, TAC voted unanimously to remand PRR567 to PRS for the development of a cost benefit analysis (CBA). All segments were present for the vote. On 9/29/05 PRS reviewed a cost benefit analysis



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(CBA) for PRR567. On 10/6/05, with all market segments present, TAC voted to recommend approval of PRR567 as submitted by PRS. The motion passed with one negative vote from the Municipal segment and two abstentions from the Consumer segment. TAC then voted to change the priority and ranking recommended by PRS from a priority of 3.3 to a priority of 1.2 with a ranking of 54.5. The motion passed with four nay votes from the Cooperative (2) and REPs (2) segments and three abstentions from the Consumers (2) and REP (1) segments. ERCOT credit staff and the CWG have reviewed PRR567 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

On 10/18/05 and 10/20/05 respectively, TXU Wholesale submitted a revised CBA and an appeal to the TAC's decision to assign PRR567 a priority of 1.2 and a rank of 54.5

- ***PRR598 – Charge Against OOM Start Up (FKA Extension of Credit Against OOM Start Up).*** ***Proposed effective date: upon system implementation.*** *Budgetary impact less than \$100,000; no staffing impact upon system implementation; minor coding changes to Lodestar; no impact to ERCOT business functions; no impact to grid operations.* This PRR creates a charge against the Startup Cost if the Market Clearing Price of Energy (MCPE) is greater than Resource Category Generic Minimum Energy Cost for an Off-line Generation Resource that ERCOT has selected to provide Out of Merit Capacity (OOMC) Service. The charge will start three hours after the end of the final interval of the OOMC Dispatch Instruction and continue until the earlier of: a) the end of the calendar day; b) the time at which the charge has completely covered the startup payment; or c) the next Resource-specific Dispatch Instruction. ERCOT posted this PRR on 4/22/05. On 6/23/05, PRS voted (61.9% in favor, 38.1% opposed) to recommend approval of PRR598; all market segments were present for the vote. On 7/21/05, PRS reviewed and voted unanimously to accept ERCOT Staff's suggested revisions to the PRR. On 7/27/05, PRS unanimously voted to recommend priority of 1.1 and rank 32.3. On 8/4/05, TAC voted to remand PRR598 to PRS for further language considerations. On 8/24/05, PRS voted to recommend approval of PRR598 as amended by AEP and ERCOT. There were two opposing votes from the IOU and Independent Generator segments and one abstention from the Independent Generator segment. All segments were present for the vote. On 9/8/05, TAC voted to approve PRR598 as recommended by PRS. There were six votes against and two abstentions; all market segments were present for the vote. On 10/20/05, PRS reviewed the cost benefit analysis (CBA) for PRR598 and voted to recommend its approval. The motion passed with one opposing vote from the Independent Power Marketer segment and one abstention from the Independent Generator segment. All segments were present for the vote. On 11/3/05, TAC voted to recommend approval of the PRR and its CBA to the Board with a comment that TAC believes that the 8% clawback will result in a positive net benefit. All market segments were present for the vote; there were two opposing votes from the IOU segment and six abstentions from the Independent Generator (3) and the Independent Power Marketer (3) segments. ERCOT credit staff and the Credit Work Group have



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reviewed PRR598 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 Balancing Energy Service (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, TAC voted unanimously to recommend approval of PRR601 as submitted by PRS. All market segments were present for the vote. On 9/20/05, the Board remanded PRR601 to TAC for development of a cost benefit analysis (CBA). On 10/6/05, TAC addressed the issue of the CBA and voted unanimously to remand PRR601 to PRS for the development of a CBA. All market segments were present for the vote. On 10/27/05, PRS modified the CBA for PRR601 and voted unanimously to send it to TAC for review. The Independent REP segment was not represented at the 10/27/05 meeting. On 11/3/05, TAC voted to recommend approval of PRR601 and the CBA as submitted by PRS. There was one abstention from the Consumer segment; all segments were present for the vote. 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.
- ***PRR611 – Reporting of Operation Reserve Capability Under Severe Gas Curtailments. Proposed effective date December 1, 2005.*** No budgetary impact; minor impact to ERCOT staffing; no impact to ERCOT computer systems; added ERCOT business function to gather, compile and incorporate data into planning analysis; no impact to grid operations. This PRR adds a requirement that Resource Entities provide additional data describing their Resources’ alternative fuel capability during the winter months and adds that information to the list of items considered Protected Information in Section 1.3.1.1. ERCOT posted this PRR on 6/14/05. On 6/16/05, 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. PRS did not approve the motion to reconsider; therefore, the PRR is on a normal timeline. On 7/21/05, PRS unanimously voted to refer PRR611 to ROS to harmonize the PRR with OGRR169, Reporting of Reserve Capability Under Severe Gas Curtailments; all segments were present for



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the vote. On 8/24/05, PRS discussed the results from ROS and unanimously voted to recommend approval of PRR611 as amended by ERCOT. All segments were present for the vote. On 9/29/05 PRS noted that PRR611 does not impact ERCOT systems and does not require a project priority. On 10/6/05, TAC unanimously voted to recommend approval of PRR611 with all market segments present. ERCOT credit staff and the CWG have reviewed PRR611 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR617 – IDR Optional Removal Threshold – Modification. Proposed effective date December 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 alleviates conflicting language and provides clarity on the original intent of Sections 18.6.1(2), Interval Data Recorders (IDR) Installation and Use in Settlement and 18.6.7, IDR Optional Removal Threshold, as these sections relate to the process for an optional IDR removal and re-installation. This PRR also makes non-substantive changes to Sections 18.6.1 and 18.6.7. ERCOT posted this PRR on 7/28/05. On 8/24/05, PRS voted unanimously to recommend approval of PRR617 as submitted. On 9/29/05, PRS noted that PRR617 does not impact ERCOT systems and does not require a project priority. On 10/06/05, TAC unanimously voted to recommended approval of PRR617 as submitted with all market segments present. ERCOT credit staff and the CWG have reviewed PRR617 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR618 – Balancing Energy Up from a Specific LAAR Resource. Proposed effective date December 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. PRR618 provides an equation that describes the compensation a QSE representing a Load Acting as Resource (LaaR) receives when a LaaR it represents provides Balancing Energy Up and clarifies that only Generation Resources will be paid for Balancing Energy Down to resolve Local Congestion. ERCOT posted this PRR on 7/28/05. On 8/24/05, PRS voted to recommend approval of PRR618 as amended by PRS with four abstentions from the Independent Generator (2), IPM and Consumer segments. On 9/29/05, PRS noted that PRR618 does not impact ERCOT systems and does not require a project priority. On 10/6/05, TAC unanimously voted to recommend approval of PRR618 with all market segments present. ERCOT credit staff and the CWG have reviewed PRR618 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR636 – Texas SET 2.1 – Customer Registration - URGENT. Proposed effective date: upon system implementation.*** No budgetary impact because code changes are included in PR40034; no impact to ERCOT staffing; no new computer system impacts or business functions; no impact to grid operations. This PRR would update and add a new subsection to Section 15, Customer



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Registration, to comply with Texas SET Version 2.1 changes to transaction and business processing. ERCOT posted this PRR on 9/23/05. On 10/12/05, PRS granted urgent status to PRR636 through email vote. On 10/20/05, PRS unanimously voted to recommended approval of PRR636 as modified by joint TDSPs comments. All market segments were present. On 11/3/05, TAC unanimously voted to recommend approval of PRR636 with all market segments present. ERCOT credit staff and the CWG have reviewed PRR636 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR637 – Texas SET 2.1 – Retail Point to Point - URGENT. Proposed effective date: upon system implementation.*** No budgetary impact because code changes are included in PR40034; no impact to ERCOT staffing; no new computer system impacts or business functions; no impact to grid operations This PRR would update and add a new subsection to Section 24, Retail Point to Point Communications, to comply with Texas SET Version 2.1 changes to transaction and business processing. ERCOT posted this PRR on 9/23/05. On 10/12/05, PRS granted urgent status to PRR637 through email vote. On 10/20/05, PRS unanimously voted to recommend approval of PRR637 as modified by TXU comments. All market segments were present. On 11/3/05, TAC unanimously voted to recommend approval of PRR637 with all market segments present. ERCOT credit staff and the CWG have reviewed PRR637 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

The TAC Recommendation Reports and the Impact Analyses and Cost Benefit Analyses based on the TAC Recommendation Reports are included in the Board meeting distribution. 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/ProtocolRevisions/ProtocolRevFileSystem.cfm?action=viewfolder&path=../ercotpublicweb/market/ftp/protocols> or on the new ERCOT.com at <http://cpwp004i/mktrules/protocols/prr.html>.

Alternatives:

- (1) Approve the TAC recommendation on PRRs 597, 598, 601, 611, 617, 618, 636 and 637 as described above 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 recommend the Board approve PRRs 597, 598, 601, 611, 617, 618, 636 and 637 as described herein.