

Appeal of TAC Decision to the Board

PRR Number	567	PRR Title	Simplified Three-Part Bidding for Ancillary Services (FKA Block Bidding of Ancillary Services)
Date of Appeal	October 20, 2005		
Date of TAC Decision	October 6, 2005		
TAC Decision	Assigned PRR a ranking of 1.2 and a priority of 54.5		
Submitter's Information			
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Appeal

TXU Wholesale respectfully appeals the decision of the ERCOT Technical Advisory Committee (TAC) made at its October 6, 2005 meeting to assign PRR 567 - Simplified Three-Part Bidding for Ancillary Services (FKA Block Bidding of Ancillary Services) a ranking of 1.2 and a priority of 54.5. The effect of such a ranking and priority will effectively result in this project failing to be funded in 2006 despite the significant amount of net benefit to the market, \$39,407,363 as determined by the original Cost/Benefit Analysis (CBA) dated 9-14-2005 and the net benefit of \$41,216,024 determined by the updated CBA (dated 10-18-2005).

TAC, at its October 6, 2005 meeting, did consider a higher ranking and priority for this PRR, specifically a ranking of 1.1B and a priority of 54.5, which would have placed this project first in line behind the "cut line" for funded projects in 2006. Thus, if additional funds became available in 2006, due to reduced costs or better cost estimates of ongoing projects, then the PRR would be implemented. However, a motion to assign a ranking of 1.1 and a priority of 19.5 for PRR 567 failed to achieve 67% majority by only two votes.

A quick review of the current list of projects that will be funded in 2006 (based on the current 2006 ERCOT Budget Project List) shows that all of the projects above the "cut line" (i.e., ranking of 1.1A and a priority of 0.21) have significantly lower net benefits than PRR 567. For example, the project with the highest benefit currently shown on the 2006 ERCOT Project List, Enhancement to FasTrak Tools (SCR 738), has a net benefit of \$18,301,584, which is significantly less than the net benefit of PRR 567.

TXU Wholesale believes that the ERCOT Board has clearly increased its scrutiny of any PRRs that have a system impact to ensure that the costs and benefits of those PRRs are adequately assessed and reasonably calculated. Further, the Board has made it clear that if there are projects that cost-effectively improve the efficiency of the existing ERCOT zonal market design and the

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benefits of such projects can clearly be achieved prior to the implementation of the Texas Nodal market design, then such projects should be completed. PRR 567 meets both of these criteria. First, PRR 567 has undergone extensive market participant review. The original CBA has been thoroughly vetted at both the Protocol Revision Subcommittee (PRS) and at TAC. It is conservatively based on an assumption that there will be a 5% reduction in total costs of Ancillary Services due to the increased participation and efficiency of resources offering Ancillary Services. Second, the CBA clearly demonstrates the net benefit of PRR 567 only until January 1, 2009, the current estimated date of implementation of the ERCOT Nodal Market design. Any delay in implementation of the ERCOT Nodal Market design will only increase the benefit of PRR 567 to the market.

TXU Wholesale recognizes that assigning a priority to PRR 567 higher than the existing “cut line” will force other beneficial projects to move “below the line”. However, in the spirit of fairness and recognizing that these other projects are also beneficial to the market, TXU Wholesale proposes that the Board change the ranking of PRR 567 as determined by TAC and re-assign it a ranking of 1.1B and a priority of 0.22. This would place PRR 567 as the first project below the “cut line” such that if additional funds become available in 2006, then PRR 567 could move forward. Thus, existing projects above the “cut line” would not be adversely impacted and PRR 567 would only be implemented if additional funds become available during 2006. In the alternative, given the Board’s emphasis on enhancing market efficiency in a cost-effective manner, TXU Wholesale would propose that the Board remand PRR 567 back to TAC for reconsideration of its ranking and priority.