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Date: December 6, 2005
To: ERCOT Board of Directors
From: Read Comstock, TAC Chair
Subject: Protocol Revision Requests & System Change Requests

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: December 13, 2005

Agenda Item No.: 14

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) and System Change Requests (SCRs) described herein. TAC considered the issues and voted to take action on the PRRs as described below.

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

- ***PRR620 – Notifying QSEs of their DBES Percentages. Proposed effective date: January 1, 2006. No budgetary impact; negligible impact to ERCOT staffing and computer systems; new task added to Control Room Operations procedures; no impact to grid operations.*** This PRR would change the requirement for ERCOT to notify QSEs (via the web listener) concerning their mandatory Down Balancing Energy Service (DBES) percentages. ERCOT operators would instead only send notifications to QSEs if there is any change in the percentages of the mandatory Down Balancing Energy Service. This PRR would also require ERCOT to always post the QSEs mandatory DBES percentages. ERCOT posted this PRR on 8/19/05. On 9/29/05, PRS voted unanimously to recommend approval of PRR620 as amended by comments submitted by ERCOT staff. All segments were present for the vote. On 10/20/05, PRS reviewed the Impact Analysis for PRR620 and noted that it does not require a system project. On 11/3/05, TAC unanimously voted to recommend approval PRR620 as recommended by PRS. All market segments were present. ERCOT credit staff and the CWG have reviewed PRR620 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR621 – QSE Qualification Using Renewable Resources. Proposed effective date: January 1, 2006. No budgetary impact; no impact to ERCOT staffing, computer systems, business function or grid operations.*** This PRR specifies that QSEs representing only



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Uncontrollable Renewable Resources may qualify to provide Down Balancing Energy Services (DBES). This PRR also clarifies that ERCOT may only request DBES in an amount actually deliverable from the Uncontrollable Renewable Resource based upon energy production at the time of the qualification. ERCOT posted this PRR on 8/25/05. On 9/29/05, PRS voted unanimously to recommend approval of PRR621 as amended by comments submitted by ERCOT staff. All segments were present for the vote. On 10/20/05, PRS reviewed the Impact Analysis for PRR621 and noted that it does not require a system project. On 11/3/05, TAC unanimously voted to recommend approval of PRR621 as recommended by PRS. All market segments were present. ERCOT credit staff and the CWG have reviewed PRR621 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR622 – Calculation of Marginal Heat Rate for Resources Receiving OOME Up Instructions. Proposed effective date: January 1, 2006. No budgetary impact; no impact to ERCOT staffing, computer systems, business function or grid operations.*** This PRR removes a sentence that was inadvertently left in the Protocols during the drafting process for PRR540 (OOM Cost Recovery Process Clarification). ERCOT posted this PRR on 8/25/05. On 9/29/05, PRS voted to recommend approval of PRR622 as amended by comments submitted by ERCOT staff. There was one abstention from the Independent Power Marketer segment; all segments were present for the vote. On 10/20/05, PRS reviewed the Impact Analysis for PRR622 and noted that it does not require a system project. On 11/3/05, TAC voted unanimously to recommend approval of PRR622 as recommended by PRS. All market segments were present. ERCOT credit staff and the CWG have reviewed PRR622 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR623 – Resource Plan Use for OOME Instructed Deviation. Proposed effective date: January 1, 2006. No budgetary impact; no impact to ERCOT staffing, computer systems, business function or grid operations.*** This PRR would align the Protocols with current EMMS system functionality by specifying that the most current Resource Plan available at the time of Real Time Balancing (RTB) Market Clearing be used for RTB calculations. ERCOT posted this PRR on 8/25/05. On 9/29/05, PRS voted unanimously to recommend approval of PRR623 as submitted. All segments were present for the vote. On 10/20/05, PRS reviewed the Impact Analysis for PRR623 and noted that it does not require a system project. On 11/3/05, TAC unanimously voted to recommend approval of PRR623 as recommended by PRS. All market segments were present. ERCOT credit staff and the CWG have reviewed PRR623 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR624 – Clarification of Market Participant Default Language. Proposed effective date: January 1, 2006. No budgetary impact; no impact to ERCOT staffing, computer systems,***



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business functions or grid operations. This PRR strengthens or clarifies Protocol provisions that address default situations. ERCOT posted this PRR on 8/26/05. On 9/29/05, PRS voted to recommend approval of PRR624 as amended by PRS. There was one abstention from the Cooperative segment; all segments were present for the vote. On 10/20/05, PRS reviewed the Impact Analysis for PRR624 and noted that it does not require a system project. On 11/03/05, TAC voted unanimously to recommend approval of PRR624, as submitted by PRS, with all market segments present. ERCOT credit staff and the CWG have reviewed PRR624, support it and believe it has positive credit implications.

- ***PRR628 – ERCOT Operation Performance – Non-Spinning Reserve Service Deployments. Proposed effective date: January 1, 2006.*** *No budgetary impact; modification of manual reports can be accomplished with current staffing levels; no impact to computer systems, business function or grid operations.* This PRR adds a requirement for ERCOT to publish on the MIS the percentage of Balancing Energy Service (BES) bids awarded during every interval that includes deployment of Non-Spinning Reserve Service (NSRS); adds a requirement for ERCOT to publish a monthly report showing the average percentage of BES bids awarded when NSRS was deployed in the month; and adds a performance metric for ERCOT that reports when deployment of NSRS (in accordance with Section 6.7.4 (1)) leads to excessive replenishment of the BES Up Bid Stack, which is defined to be 90% or less depleted. ERCOT posted this PRR on 8/26/05. On 9/29/05, PRS voted unanimously to recommend approval of PRR628 as amended by comments submitted by ERCOT staff. All segments were present for the vote. On 10/20/05, PRS reviewed the Impact Analysis for PRR628 and noted that it does not require a system project. On 11/03/05, TAC voted unanimously to recommend approval of PRR628, as submitted by PRS, with all market segments present. ERCOT credit staff and the CWG have reviewed PRR628 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR641 – Clarifying RPRS Scheduling Language - URGENT. Proposed effective date: January 1, 2006.*** *No budgetary impact; no staffing impact; no impact to ERCOT systems; no impact to ERCOT business functions; no impact to grid operations.* This PRR aligns Section 6.7.5(2), Deployment of Replacement Reserve Service, with the existing language in Section 6.4.2(5), Determination of ERCOT Control Area Requirements, regarding procured Replacement Reserve Service (RPRS) and updating of Balancing Energy Service bids. ERCOT posted this PRR on 10/27/05. On 10/31/05, PRS granted urgent status via email vote so that the alignment is in place prior to implementation of the RPRS market. On 11/17/05, with all market segments present, PRS voted unanimously to recommend approval of PRR641. On 12/1/05, TAC unanimously voted to recommend approval of PRR641 as submitted by PRS. All segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR641 and do not believe that it requires changes to credit monitoring



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activity or the calculation of liability.

- **PRR643 – Shorten Payment Default Timelines – URGENT. Proposed effective date: January 1, 2006.** *No budgetary impact; no staffing impact; no impact to ERCOT systems; no impact to ERCOT business functions; no impact to grid operations.* This PRR proposes to: (1) reduce the number of days allowed to cure a breach before it becomes a Default under the LSE, QSE and TCR Agreements from 3 Business Days to 2 Business Days; and (2) make collateral payments due by 1500 on the second Bank Business Day after notification rather than by 1700 on that day if ERCOT delivered its notice by 1500 on a Business Day. ERCOT posted this PRR on 11/14/05. PRS granted urgent status via email vote on 11/16/05 to allow for timely signing of the modified Agreements. On 11/17/05, PRS voted to recommend approval of PRR643 as amended by PRS. There was one abstention from the Independent REP segment. On 12/1/05, TAC unanimously voted to recommend approval of PRR643 as submitted by PRS. All segments were present for the vote. PRR643 was sponsored by the CWG. ERCOT credit staff and the CWG believe PRR643 has positive credit implications.
- **PRR644 – Ancillary Service Re-qualification – URGENT. Proposed effective date: January 1, 2006.** *No budgetary impact; no staffing impact; no impact to ERCOT systems; no impact to ERCOT business functions; no impact to grid operations.* This PRR Allows QSEs to re-qualify as provider(s) of Responsive Reserve Service, Balancing Energy Service, Regulation Service, and Non-Spinning Reserve Service based upon demonstrated historical performance in lieu of repeating the qualification test(s). ERCOT posted PRR644 on 11/14/05. On 11/16/05, PRS did not approve urgent status via email vote. On 11/17/05, PRS reconsidered and granted urgent status for PRR644 because many QSEs are due for Ancillary Service re-qualification in 2006. Also on 11/17/05, with all segments present, PRS unanimously voted to recommend approval of PRR644 as modified by PRS. On 12/1/05, TAC unanimously voted to recommend approval of PRR644 as submitted by PRS. All segments were present for the vote.
- **SCR745 – Retail Market Outage Evaluation and Resolution – URGENT. Proposed effective date: upon system implementation.** This SCR has been revised for implementation in two subprojects: (1) Phase I, NAESB and Proxy Clustered, and Phase II, Paperfree Clustered Environment and (2) Phase III, All Retail (Database Clustered Environment). Each phase involves the purchase and installation of hardware to eliminate single points of failure by delivering system failover and redundancy capabilities. On 10/18/05, the Board unanimously voted to remand SCR745 to TAC. On 11/03/05, with all market segments present, TAC unanimously voted to remand SCR745 to RMS. On 11/09/05, RMS voted to recommend the approval of two subprojects and a priority of 1.1 and rank of 8 for Subproject One, priority of 1.2 and rank of 58.5 for Subproject Two. The motion passed unanimously. All market segments were present. On 11/17/05, PRS voted unanimously to assign priority and rank as



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recommended by RMS. On 12/1/05, TAC voted unanimously to recommend approval of SCR745 as recommended by RMS.

Phase I – NAESB/Proxy Clustered Environment. Proposed effective date: upon system implementation of Subproject One [priority of 1.1 and rank of 8]. Budgetary impact \$500,000 to 1 million; no impact to ERCOT staffing; impact to NAESB and Proxy environments; impact to ERCOT business functions requiring training, documentation and monitoring; no impact to grid operations.

Phase II – Paperfree Clustered Environment. Proposed effective date: upon system implementation of Subproject One [priority of 1.1 and rank of 8]. Budgetary impact less than \$100,000; no impact to ERCOT staffing; impact to Paperfree Clustered environment; impact to ERCOT business functions requiring training, documentation and monitoring; no impact to grid operations.

Phase III – All Retail (Database Clustered Environment). Proposed effective date: upon system implementation of Subproject Two [priority of 1.2 and rank of 58.5]. Budgetary impact \$1 to 3 million; requires two additional FTEs for ongoing support of new hardware and monitoring capabilities; impact to All Retail (Database Clustered environment); impact to ERCOT business functions requiring training, documentation and monitoring; no impact to grid operations.

- **SCR747 – Removal of Price Administration for Zonal Congestion. Proposed effective date: upon system implementation.** Budgetary impact less than \$100,000; no impact on ERCOT staffing upon system implementation; minor code change to the Scheduling, Pricing, Dispatch (SPD) function; no impact to ERCOT business functions; no impact to grid operations. This SCR will eliminate violation on Commercially Significant Constraints (CSCs) as a trigger for Price Administration in the Real Time Balancing Market Clearing Engine (also known SPD). Instead of triggering Price Administration when a CSC is violated, SPD should allow the Shadow Price to be equal to the Penalty Factor for OC1 congestion, currently \$2,500. ERCOT posted this SCR on 8/1/05. On 9/21/05, WMS voted to recommend approval of SCR747. There was one vote (Independent REP) against the motion; all market segments were present for the vote. On 10/27/05, PRS reviewed the impact analysis and CBA, and assigned a priority of 1.1 and a rank of 9.25. On 11/3/05, TAC reviewed the SCR, its IA and Cost Benefit Analysis (CBA) and voted unanimously to recommend approval of this SCR as recommended by WMS. All market segments were present for the vote.

The TAC Recommendation Reports, Impact Analyses and CBAs (if applicable) are included in the items distributed for the Board meeting. In addition, these PRRs (<http://newercot.ercot.com/mktrules/protocols/prr.html>) and SCRs (<http://newercot.ercot.com/mktrules/syschangereq/scrs.html>) and their supporting materials are



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posted on the ERCOT website.

Alternatives:

- (1) Approve the TAC recommendation on PRRs 620, 621, 622, 623, 624, 628, 641, 643, and 644, and SCRs 745 and 747 as described above or as modified by the Board;
- (2) Reject the TAC recommendations; or
- (3) Remand any PRRs or SCRs to TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC recommends the Board approve PRRs and SCRs as described herein.