



MEMO

Date: February 14, 2006
To: ERCOT Board of Directors
From: Read Comstock, TAC Chair
Subject: Protocol Revision Requests & System Change Request

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: February 21, 2006

Agenda Item No.: 9b

Issue:

Consideration of Protocols Revision Requests (PRRs) and System Change Request (SCR).

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 PRRs and the SCR described herein. TAC considered the issues and voted to take action on the PRRs and SCR as described below.

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

- ***PRR543 – Schedules and Emergency Assistance over CFE-ERCOT DC Ties. Proposed effective date: March 1, 2006. No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; a contract between Comision Federal de Electricidad de Mexico (CFE) and ERCOT for emergency assistance must be in place before ERCOT can make use of most of the language changes proposed in this PRR; no impact to grid operations.*** This PRR incorporates the use of ties with CFE for emergency services and clarifies the Protocols with respect to the use of Back to Back Ties and Block Load Transfers (BLTs) with CFE during emergencies. ERCOT posted this PRR on 9/14/04. PRS discussed PRR543 at its October 2005 meeting and tabled it pending further discussions between ERCOT and CFE and final development. On 11/17/05, with all segments present, PRS voted unanimously to recommend approval of PRR543 as amended by PRS. On 12/16/05, PRS noted that PRR543 does not require a system change. On 1/12/06, TAC voted to recommend approval of this PRR as submitted by PRS. The motion passed unanimously with all market segments present. The ERCOT Credit Working Group has reviewed PRR543 and believes that this PRR does not have any credit implications due to the fact that CFE will utilize a QSE in the ERCOT Region. As a result, any and all credit obligations will be calculated for CFE's QSE per the ERCOT Protocols.



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- ***PRR567 – Block Bidding of Ancillary Services. Proposed effective date: upon system implementation.*** Budgetary impact - \$1 to 3 million; long-term minimal impact to ERCOT staffing (short-term resource competition with Nodal Market implementation); 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. PRR567 creates a three part bidding structure for Ancillary Services. 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. On 11/15/05, the Board granted TXU's appeal of TAC's assignment of a priority of 1.2 with a ranking of 54.5, and remanded the Cost Benefit Analysis (CBA) to TAC for further development of the costs and benefits of this PRR and reconsideration of the priority and ranking assignment.

On 12/1/05, TAC voted to refer this PRR to PRS to review the CBA and the priority and ranking assigned to this PRR. On 12/16/05, PRS unanimously voted to establish a task force to review the methodology developed by TXU and bring PRR567 back to PRS with a revised CBA. On 1/13/06, the PRS task force met and reviewed a revised CBA and its underlying assumptions. On 1/19/06, PRS voted to accept the revised CBA and maintain the priority of 1.2 and ranking of 54.5. There were seven opposing votes from the Cooperative (2), Municipal (2), Independent REP (2), and the Independent Power Marketer (1) segments. There was one abstention from the IOU segment. All segments were present for the vote. On 2/2/06, TAC voted to recommend approval of PRR567 and its CBA, priority and rank as recommended by PRS. There were two abstentions from the Consumer and IOU 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.

- ***PRR627 – RMR Transmission Issues and RMR Contract Extension. Proposed effective date: March 1, 2006.*** 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 establishes reporting requirements for transmission and/or distribution service providers (TDSPs) responsible for construction of transmission system upgrades associated with a Reliability Must Run (RMR) and/or Must-Run Alternative (MRA) exit strategy. This PRR also provides ERCOT with additional flexibility to deal with potential delays in the completion of transmission system upgrades associated with an RMR and/or MRA exit strategy. ERCOT will be able to extend an RMR and/or MRA contract for limited time periods as necessary to



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allow for planned transmission system upgrades to be completed. ERCOT will also be able to require reporting of project status from the responsible TDSP. ERCOT posted this PRR on 8/26/05. On 9/29/05, the submitter requested deferral of consideration. On 10/20/05, PRS unanimously voted to refer PRR627 to a PRS task force. On 11/17/05, PRS voted to recommend approval of PRR627 as amended by comments from the PRR627 Task Force and CenterPoint Energy. There were three abstentions from the IOU (1) and Municipal (2) segments. On 12/16/05, PRS noted that PRR627 does not require a system change. On 1/12/06, TAC voted unanimously to recommend approval of PRR627 as recommended by PRS. All market segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR627 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR638 – Change Settlement Invoice Due Date from 16 Calendar Days to Five Bank Business Days. Proposed effective date: April 1, 2006.*** *No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no additional business functions, however some functions previously performed on Thursday and Friday will be performed on Monday and Tuesday (such as receiving and sending out payments); no impact to grid operations.* This PRR will change the Settlement Invoice Due Date from 16calendar days to five Bank Business Days. ERCOT posted this PRR on 10/4/05. On 11/17/05, PRS voted unanimously to recommend approval of PRR638 as amended by ERCOT comments and PRS. On 12/16/05, PRS unanimously voted to recommend approval of the PRR as revised by ERCOT comments and noted that the PRR does not require any changes to ERCOT computer systems. On 01/12/06, with all segments present, TAC voted unanimously to recommend approval of PRR638 as recommended by PRS. On 2/2/06, TAC discussed PRR638 and the combined impact of its implementation and that of PRR568 (Change Initial Settlement from 17 days to 10 days) on Market Participants. TAC unanimously voted to recommend an implementation date of April 1, 2006 for PRR638. The ERCOT Credit Work Group supports PRR638 which reduces the Settlement Invoice Due Date from sixteen Calendar Days to five Bank Business Days. This PRR has positive credit implications.
- ***PRR639 – Notification of Repairs to EPS Meter Facilities under Emergency Conditions. Proposed effective date: March 1, 2006.*** *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 allows, in emergency situations, a TDSP to repair its EPS metering without first notifying ERCOT. ERCOT posted this PRR on 10/21/05. On 11/17/05, PRS voted unanimously to recommend approval of PRR639 as revised by PRS. All segments were present for the vote. On 12/16/05, PRS noted that this PRR requires no changes to ERCOT systems. On 1/12/06,



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TAC voted to recommend approval of this PRR as submitted by PRS. The motion passed unanimously with all market segments. ERCOT credit staff and the CWG have reviewed PRR639 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- **SCR746 – Dynamic Rating Data to TSP Using ICCP Link. Proposed effective date: upon system implementation.** Budgetary impact - \$100,000 to 500,000 (and the cost of additional licensing for Supervisory Control and Data Acquisition (SCADA) software – not included in range estimate); one additional FTE in the Energy and Market Management Systems (EMMS) Production Support team for ongoing maintenance and support and 0.5 FTE in the Operations Support team for ongoing support in resolving perceived dynamic rating discrepancies with Transmission Service Providers (TSPs); impact to EMMS database to add SCADA points and accompanying modeling changes to ERCOT's Inter-Control Area Communications Protocol (ICCP) and Plant Interface (PI) systems; existing business functions will be used to manage anticipated increase in workload; no impact to grid operations. This SCR provides transmission of element dynamic rating data (in Megavolt Ampere (MVA)) between ERCOT and the TSP of the Facility through the ICCP link. ERCOT posted SCR746 on 6/29/05. On 8/11/05, ROS voted unanimously to recommend approval of SCR746. All market segments were present. On 9/15/05, ROS voted unanimously to remand SCR746 to the Network Data Support Working Group (NDSWG) to investigate data delivery alternatives. All market segments were present. On 10/13/05, ROS voted unanimously to endorse the original ROS recommendation made on 8/11/05. All market segments were present. On 10/13/05, PRS voted to assign SCR746 a priority of 1.1 and a rank of 9.5. There was one vote against the motion (Consumer segment) and two abstentions (IPM and IOU segments); the Independent REP segment was not present for the vote. On 1/12/06, TAC voted to recommend approval of SCR746. There were two votes against the motion (Consumer segment) and one abstention (Consumer segment); all market segments were present for the vote.

The TAC Recommendation Reports, Impact Analyses and CBAs (and additional presentations regarding PRR567) are included in the Board meeting distribution. In addition, these PRRs, the SCR, and their supporting materials are posted on the ERCOT website at the following links:

<http://www.ercot.com/mktrules/protocols/prr.html> and
<http://www.ercot.com/mktrules/syschangereq/scrs.html>.

Alternatives:

(1) Approve the TAC recommendation on PRRs 543, 567, 627, 638 and 639 and SCR746 as



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described above or as modified by the Board;
(2) reject the TAC recommendations; or
(3) remand any PRRs or the SCR to TAC with instructions.

Conclusion/Recommendation:

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