



MEMO

Date: February 14, 2006
To: ERCOT Board of Directors
From: Read Comstock, TAC Chair
Subject: Temporary Change to 2005 Annual Validation

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: February 21, 2006

Agenda Item No.: 9c

Issue:

Consideration of temporary change to 2005 Annual Validation.

Background/History:

Concurrent with the 2005 Annual Validation process, ERCOT staff administered a mail survey of Residential Customers. The data collected from the survey was used to build an algorithm to predict the presence (or absence) of electric heating based on the seasonal pattern of electrical consumption. The algorithm was applied to all ESI IDs for which 2005 Annual Validation indicated that a Profile ID change would be required. The algorithm indicated that 36% of the changes (206,000 out of 579,000) should not be made. The Profiling Working Group (PWG), RMS and TAC have all agreed that the Profile ID changes should not be submitted, since the result of those changes would be to settle the affected ESI IDs with a less representative profile.

The Annual Validation procedures defined in the Load Profiling Guide requires that all 579,000 changes be submitted and subsequently validated by ERCOT to confirm that the Profile IDs have been correctly updated in ERCOT systems. The recommended change is to *not* send in the 206,000 Profile ID changes and to *not* conduct the final validation steps required to complete 2005 Annual Validation for those ESI IDs. The remaining 373,000 Profile ID changes already have been submitted and validated.

Key Factors Influencing Issue:

- Pursuant to Protocol Section 18.4.3, the ERCOT Board may authorize temporary changes to the yearly process for assigning and validating Load Profile IDs.
- Settlement accuracy will be adversely affected by submitting transactions which would result in settling the affected ESI IDs with less representative profiles.
- The PWG is planning to incorporate the ERCOT algorithm into Annual Validation for 2006; consequently, most, if not all of the 206,000 changes, if implemented as part of the 2005 Annual Validation, would likely be reversed this year, thus creating a larger than necessary volume of transactions for the 2006 Annual Validation process.



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Alternatives:

- 1) Approve the TAC recommendation as described above;
- 2) Approve the TAC recommendation with modifications; or
- 3) Reject the TAC recommendation and proceed with submitting and validating the remaining transactions for the 2005 Annual Validation.

Conclusion/Recommendation:

TAC recommends that the Board approve a temporary change to the 2005 Annual Validation authorizing Market Participants to not submit the 2005 Residential Annual Validation transactions for those ESI IDs that would, based on ERCOT's analysis, be assigned a less representative profile.