

June 1, 2006 TAC Resolution

Response to Board Retreat Action Item Regarding Modification of Certain Board Approvals under the ERCOT Protocols

I. Stakeholder-Originated System or Process Changes Requiring Projects for Implementation

A. Revision Requests (includes PRRs, SCRs, XGRRs – hereinafter “Proposals”) requiring projects for implementation:

1. Proposals requiring a project for implementation (and that cannot be partially implemented) shall be subject to the current approval process up to the TAC level, but shall not be brought to the Board for approval until the assigned priority will allow for project funding in the current ERCOT budget cycle – such items will be placed in a “Unfunded Project List” until the priority assignment can be funded in the budget cycle.
2. Proposals assigned to the Unfunded Project List shall be subject to challenge in keeping with the Section 21 process.
3. As part of the development of each new (funded) project, ERCOT Staff will review TAC-approved Unfunded Project List projects to see if any can be cost effectively and timely implemented with the initial project – if so, ERCOT Staff will present the Unfunded Project List project to PRS and TAC for possible increase in priority and (if raised in priority) the Proposal will be presented to the Board for final approval.
4. Each calendar quarter, the Board will be briefed on approved Proposals that are in the Unfunded Project List, which shall include reporting on projects originating from PUCT and ERCOT requirements, and cost/benefit analysis of Unfunded Project List projects.
5. All projects in the Unfunded Project List for more than two years shall be re-evaluated by PRS as part of the annual budget process for a possible recommendation to TAC to terminate the project and related Protocol, Guide, or other procedures related to the project; such termination consideration shall be made in a streamlined process (i.e, not the full Section 21 review) such that terminations can be approved by the Board in the annual budget process.

Notes:

- *This approach will have a significant impact on the annual ERCOT budget process – many projects in the Unfunded Project List are likely to be moved up simultaneously based on new funding availability in the new budget – so several projects (including*

associated PRRs, SCRs, and XGRRs) will likely be brought to the Board en masse at (or just prior) to the formal budget process.

- *This approach may require more regular review by PRS and TAC of priority of projects to make sure Unfunded Project List projects are moved along in the approval process timely and to feed into the quarterly project reports to the Board.*
- *Will place responsibility on ERCOT Staff to review and integrate Unfunded Project List projects, including seeking increased priority and final Board approval – but ERCOT Staff has indicated this can be reasonably accommodated.*
- *This solution does not address a broader issue of projects that have significant cost/benefit value not getting funded due to annual budget limits.*

B. Proposals that include both projects and portions that can be implemented without a project, but the project (for full implementation) is not prioritized for current year budget

The current process shall add the following steps:

1. As part of the “second” PRS review (Proposals recommended for approval at the first review return to PRS for final recommendation), PRS makes a recommendation as to priority of projects related to Proposals – if the recommended priority of the project cannot achieve funding in the current budget cycle, then PRS will take an additional action item (PRS vote) – to decide whether (a) the portions of the proposal that can be implemented without a project should proceed or (b) the proposal should be implemented only with the associated project;
2. If PRS recommends that partial implementation should be approved (and the associated project should have Unfunded Project List status), PRS shall approve only the portions of the Proposal that can be implemented without the project – the Market Participant sponsoring the Proposal shall initiate a new Proposal that would add the project portion of the original Proposal.

Notes:

- *ERCOT Staff raised a concern about potential for locking ERCOT Staff into perpetual “manual workarounds.” However, this is a risk that is currently present and the proposed solution will add more stakeholder input into decisions about partial implementation.*

II. Technical Approvals

The following technical approvals should be “finally” approved by TAC and posted (subject to challenge as with any TAC action):

1. Permanent exemptions from metering requirements (Section 10.14)

2. Changes to the methodology for determining Load Profiles (18.2)
3. Temporary changes to Load Profile ID assignment and validation processes (Section 18.4.3)

III. Protocols changes

ERCOT Staff should work with the Working Group to develop Protocols changes and other process changes needed to implement the recommendations above.

IV. Transmission System Planning Process

The current transmission planning process does not occur within the TAC purview. However, it is recommended that, prior to seeking Board recommendation for a transmission project, ERCOT Staff present the project to TAC for a recommendation – this has been ERCOT’s practice, but should be formalized in the planning process.

Notes:

- *Conversation with ERCOT Planning Management indicates no objection to this change.*

V. Board Report

The TAC Chair should report this resolution to the Board and seek direction as to whether this is a desirable plan in response the Board’s request for modification to the Board approval processes.

END OF RESOLUTION

Items discussed but no changes recommended:

1. Board “Consent” agenda – the Board can consent vote on any item requiring Board action – no Protocols changes required.
2. PRRs not requiring projects – same full process would apply.
3. Annual Commercially Significant Constraints (CSCs) (Section 5) – significant market impact.
4. Annual Ancillary Services Quantities - Board approves methodology for determining minimum AS quantities at least annually (Section 6.4.1) – significant market impact
5. RMR Exit Strategies (Section 6.5.9) – significant market impact
6. TAC role regarding projects – a broader but related issue – the Board expects TAC to proactively identify needed projects that are not getting funding priority; a potential addition to the process may be the ability for TAC to recommend to the Board increased project funding when greatly beneficial projects are unduly delayed; a multi-year budget process, at least for projects, may be a possible solution.
7. Participant funding of projects – a broader issue not within the purview of this working group.

8. Credit review process under the Finance and Audit Committee – a broader issue not within the purview of this working group.
9. General provisions in the Protocols and elsewhere to allow ERCOT to make non-substantive changes to the Protocols and Guides – no recommendation, but no particular concerns identified.
10. Potential technical approvals that could be “finally” approved by TAC and posted (subject to challenge as with any TAC action):
 - a. Percentage of bid that RPRS or NSRS can be above an associated RGS (Section 4.4.11)
 - b. Heat rate adder approval re: Resource Generic bid limit for Balancing Energy Down for each Resource Category on each day for which an FIP is published, pursuant to Section 6.8.2.1 (Section 4.4.20(4))
 - c. [*Related to CSCs and Congestion Zones*] Critically Related Elements (CREs) and exceptions to bus Zone designations (Section 5)

One item that may need to be removed from the Protocols:

- Board approval of substitution of Ancillary Services pricing (Section 6.6.3)