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Date: September 12, 2006
To: ERCOT Board of Directors
From: Read Comstock, TAC Chair
Subject: Protocol Revision Requests

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: September 19, 2006

Agenda Item No.: 09(a)

Issue:

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

- ***PRR658, Requirements for Entities Re-entering the ERCOT Market. Proposed effective date: October 1, 2006. No budgetary impact; no impact to ERCOT Staff; no impact to ERCOT systems; no additional business functions will be required, minor changes to current business processes can be absorbed by current staff; no impact to grid operations.*** This PRR proposes revisions to Section 16.1 and creates a new Section 16.1.1 to establish requirements for Entities who wish to re-enter the ERCOT market as a qualified Market Participant. This PRR was posted on 3/31/06. On 5/18/06, PRS unanimously voted to refer PRR658 to the Credit Work Group (Credit WG) and Retail Market Subcommittee. All Market Segments were present for the vote. On 6/22/06, PRS voted unanimously recommend approval of PRR658 as revised by Credit WG comments and PRS. All Market Segments were present for the vote. On 7/20/06, PRS noted that there were no changes to the Impact Analysis. On 08/03/06, TAC unanimously voted to recommend approval of PRR658 as recommended by PRS. All Market Segments were present for the vote. ERCOT credit staff and the Credit WG have reviewed PRR658 and believe that it has positive credit implications.
- ***PRR663, Payment When a Resource Receives an OOME Down to Zero (0) MW Dispatch Instruction. Proposed effective date: October 1, 2006. No budgetary impact; no impact to ERCOT Staff; no impact to ERCOT systems; no impact to ERCOT business functions; no impact to grid operations.*** This PRR changes the Out



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of Merit Energy (OOME) down to zero Dispatch Instruction verifiable cost recovery process to a process similar to that used for Out of Merit Capacity (OOMC) and adds one category of verifiable cost (for Special Protection System actuations). This PRR was posted on 4/18/06. On 5/18/06, PRS unanimously voted to table PRR663 until the 6/22/06 PRS meeting. All Market Segments were present for the vote. On 6/22/06, PRS voted to recommend approval of PRR663 as revised by ERCOT Staff comments. There were six opposing votes from the Cooperative (Coop) (1), Municipal Owned Utility (MOU) (2), Consumer (1), Independent REP (IREP) (1), and Independent Power Marketer (IPM) (1) segments and two abstentions from the IREP and MOU segments. All Market Segments were present for the vote. On 7/20/06, PRS noted that there were no changes to the Impact Analysis. On 08/03/06, TAC unanimously voted to recommend approval of PRR663 as recommended by PRS. All Market Segments were present for the vote. ERCOT credit staff and the Credit WG have reviewed PRR663 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR664, Revise Non-Spinning Reserve Services Performance Monitoring Criteria. Proposed effective date: upon system implementation. Budgetary impact less than \$50,000; no incremental impact beyond the one additional FTE in ERCOT Compliance already requested for PRR661, SCE Performance Enforcement Criteria; the PRR requires the development of macros to automate the extraction and analysis of plant information data; no impact to ERCOT business functions; no impact to grid operations.*** This PRR revises the Non-Spinning Reserve Service (NSRS) Performance Monitoring Criteria to for Qualified Scheduling Entities (QSEs). ERCOT posted this PRR on 4/21/06. On 5/18/06, PRS unanimously voted to refer PRR664 to ROS and request that the issue of the Ancillary Services testing deadline be placed on the June TAC agenda. On 6/22/06, PRS unanimously voted to recommend approval of PRR664 as revised by ROS comments. All Market Segments were present for the vote. PRS also unanimously voted to assign a 2006 priority of 1.1, rank of 14.3. All Market Segments were present for the vote. On 8/3/06, with all Market Segments present, TAC unanimously voted to recommend approval of this PRR as submitted by PRS. ERCOT credit staff and the Credit WG have reviewed PRR664 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR665, Revise Responsive Reserve Service Performance Monitoring Criteria. Proposed effective date: upon system implementation. Budgetary impact less than \$50,000; no incremental impact beyond the one additional FTE in ERCOT Compliance already requested for PRR661, SCE Performance Enforcement Criteria; the PRR requires the development of macros to automate the extraction***



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and analysis of plant information data; no impact to ERCOT business functions; no impact to grid operations. ERCOT posted this PRR on 4/21/06. This PRR revises the Schedule Control Error (SCE) to reflect Loads acting as Resource (LaaR) obligation when deployed; revises the Responsive Reserve Service (RRS) Performance Monitoring Criteria for QSEs, moves language regarding LaaRs and bids from Combined Cycle plants from Section 6.10.5.4 to Section 6.5.4 because this is a more appropriate place for the language, and revises Section 6.10.3 to update Ancillary Service (AS) Re-Qualification language to reflect new criteria. On 5/18/06, PRS unanimously voted to refer PRR665 to ROS and request that the issue of the Ancillary Services testing deadline be placed on the June TAC agenda. On 6/22/06, PRS unanimously voted to recommend approval of PRR665 as submitted. All Market Segments were present for the vote. On 7/20/06, PRS unanimously voted to adopt ERCOT's amendments to the Recommendation Report. PRS also unanimously voted to assign a 2006 priority of 1.1, rank of 14.3. All Market Segments were present for the vote. On 8/3/06, with all Market Segments present, TAC unanimously voted to recommend approval of PRR665 as submitted by PRS. ERCOT credit staff and the Credit WG have reviewed PRR665 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR668, Distribution Loss Factor Calculations. Proposed effective date: upon system implementation.*** Budgetary impact less than \$100,000; minimal impact for Lodestar development and testing, minimal ongoing impact to ERCOT metering staff to validate and input TDSP Distribution Loss Factor data; impact to Lodestar; no impact to ERCOT business functions; no impact to grid operations. This PRR modifies the Settlement Interval Distribution Loss Factor (SILF) to better represent the non-linear relationship between the Distribution Loss Factor (DLF) and Settlement Interval ERCOT System Load (SIEL). This PRR was posted on 5/24/06. On 6/22/06, PRS voted to recommend approval of PRR668 as revised by TXU Electric Delivery comments. There was one opposing vote from the MOU segment; all Market Segments were present for the vote. On 7/20/06, PRS voted to forward the IA, CBA, and PRR to TAC and to assign to a 2006 priority of 1.1 with a rank of 32.6 and a 2007 priority of high and a rank of 2. On 08/03/06, TAC unanimously voted to recommend approval of PRR668, including rank and priority as recommended by PRS. All Market Segments were present for the vote. ERCOT credit staff and the Credit WG have reviewed PRR668 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR676, RPRS Solution with Nodal RUC-Type Procurement and Cost Allocation - URGENT. Proposed effective date: upon system implementation.*** Incremental budgetary impact is \$100,000 to 250,000 when implemented simultaneously with



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PRR666, Modification of RPRS Under-Scheduled Capacity Charge Calculation and PRR687, Replacement Reserve Under-Scheduled Capacity Delineation; short term impact to ERCOT Settlement staff to perform system changes; the automated process will result in minimal long term impact; impact to POS-MOS, Lodestar and Data Archive systems; no impact to ERCOT business functions or grid operations. This PRR modifies the cost allocation methods for Replacement Reserve Service (RPRS) to be consistent with the procurement and cost allocation methods for the Reliability Unit Commitment that is contained in the Nodal Protocols. This PRR was posted on 7/25/06. On 7/27/06, PRS granted urgent status through an email vote. On 8/31/06, PRS voted to recommend approval of PRR676 as amended by PRS. There were four opposing votes from the Independent Generator (IG) (1), and Consumer (3) segments; there were four abstentions from the Investor Owned Utility (IOU) (1), IG (1), and IREP (2) segments. All Market Segments were present for the vote. Also on 8/31/06, PRS voted to assign PRR676 a priority of 2 and a rank of 10. On 9/7/06, TAC voted to recommend approval of PRR676 as revised by comments from ERCOT Staff and to recommend simultaneous implementation of PRR676 with PRRs 666 and 687. There were seven abstentions from the IOU (4), IPM, IREP and IG segments and one opposing vote from the Consumer segment. All Market Segments were present for the vote. ERCOT credit staff and the Credit WG have reviewed PRR676 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR682, Emergency Electric Curtailment Plan (EECP) Event Realignment - URGENT. Proposed effective date: October 1, 2006. No budgetary impact; no impact to ERCOT Staff; no impact to ERCOT systems; no impact to ERCOT business functions; positive impact on grid security and reliability practices.*** This PRR revises the necessary sequence for ERCOT to process EECP related items, thereby allowing ERCOT to be more proactive in communicating system conditions during certain events. This PRR was posted on 8/14/06. On 8/16/06, PRS granted Urgent status through an email vote. On 8/17/06, PRS voted to recommend approval of PRR682 as revised by the PRS. The motion passed with one abstention from the IPM segment. All Market Segments were present for the vote. On 9/6/07, with all Market Segments present, TAC voted unanimously to recommend approval of PRR682 as revised by comments from ERCOT Staff. ERCOT credit staff and the Credit WG have reviewed PRR682 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR687, Replacement Reserve Under-Scheduled Capacity Delineation - URGENT. Proposed effective date: to coincide with implementation of PRR666, Modification of RPRS Under-Scheduled Capacity Charge Calculation. No***



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budgetary impact; no impact to ERCOT Staff; no impact to ERCOT systems; no impact to ERCOT business functions and grid operations. This PRR corrects discrepancies in the Replacement Reserve Under-Scheduled Capacity charge equation described in PRR666. PRR687 was posted on 8/23/06. The submitter requested Urgent status because the corrections are necessary for expeditious implementation of PRR666. On 8/25/06, PRS granted Urgent status via email vote. On 8/31/06, with all Market Segments present, PRS unanimously voted to recommend approval of PRR687 as revised by PRS. On 9/6/07, with all Market Segments present, TAC voted unanimously to recommend approval of PRR687 as revised by TAC. ***Credit WG evaluation pending.***

- ***PRR688, ERCOT Nodal Implementation Surcharge – URGENT. Proposed effective date: October 1, 2006.*** *Budgetary impact less than \$50,000; no impact to ERCOT staffing; impacts to the Lodestar Settlement and Billing system; no impact to ERCOT business functions or grid operations.* This PRR documents how ERCOT shall calculate the Nodal Implementation Surcharge (NIS) to comply with the Final Order issued by the Public Utility Commission of Texas (PUCT) in Docket No. 32686, Application of the Electric Reliability Council of Texas for Approval of a Nodal Market Implementation Surcharge and Request for Interim Relief, to fund implementation of the nodal market redesign. This PRR was posted on 8/28/06. The submitter requested Urgent status to meet the effective date of the PUCT order. On 8/30/06, PRS granted Urgent status via email vote. On 8/31/06, PRS voted unanimously to waive notice and consider PRR688. PRS then voted to recommend approval of the PRR as modified by ERCOT staff comments. There was one abstention from the IPM segment. Also on 8/31/06, PRS voted to assign PRR688 a priority of 1 and a rank of 7.5. There were two abstentions from the IPM and IG segments. All Market Segments were present for the votes. On 9/7/06, TAC voted to recommend approval of PRR688 as recommended by PRS, subject to the Board's satisfaction that the exemption issue is adequately addressed. There was one opposing vote and one abstention, both from the IOU segment; all Market Segments were present for the vote. ***Credit WG evaluation pending.***
- ***PRR690, Termination of the Modified Competitive Solution Method – URGENT. Proposed implementation date: October 1, 2006.*** No budgetary impact; no impact to ERCOT Staff; no impact to ERCOT systems; no impact to ERCOT business functions and grid operations. This PRR eliminates the references to the Modified Competitive Solution Method (MCSM) consistent with P.U.C. SUBST. R. 25.502(i), Termination of the Modified Competitive Solution Method (MCSM). This PRR was posted on 8/28/06. The submitter requested Urgent status to meet the effective date of the PUCT rule. On 8/30/06, PRS granted Urgent status



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via email vote. On 8/31/06, PRS voted unanimously to waive notice and consider PRR690. PRS then voted unanimously to recommend approval of the PRR as submitted. All Market Segments were present for the vote. On 9/7/06, TAC voted to recommend PRR690 as recommended by PRS. There were five abstentions from the Consumer (2) and IREP (3) segments; all Market Segments were present for the vote. **Credit WG evaluation pending.**

The TAC Recommendation Reports and Impact Analyses associated with these PRRs are included in the Board meeting materials. In addition, these PRRs and their supporting materials are posted on the ERCOT website at the following link: <http://www.ercot.com/mktrules/protocols/prr.html>.

Alternatives:

- (1) Approve the TAC recommendation on PRRs 658, 663, 664, 665, 668, 676, 682, 687, 688 and 690 as described above or as modified by the Board;
- (2) reject the TAC recommendations; or
- (3) remand any PRRs to the TAC with instructions.

Conclusion/Recommendation:

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