



MEMO

Date: November 7, 2006
To: ERCOT Board of Directors
From: Read Comstock, TAC Chair
Subject: 2007 Closely Related Elements (CREs) and Boundary Generation Resources

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: November 14, 2006

Agenda Item No.: 9b

Issue:

Designation of Closely Related Elements (CREs) and Boundary Generators in the ERCOT transmission system as they relate to Commercially Significant Constraints and Congestion Zones.

Key Factors Influencing Issue:

Background/History:

Protocol Section 7.2.3, Determining Closely Related Elements (CREs), requires that for each year, ERCOT Staff identify potential CREs using, at a minimum, the process prescribed in items (1) – (6) of Protocol Section 7.2.3.

CREs are defined in Protocol Section 2 as “those transmission facilities that have shift factor impacts similar to those associated with a particular Commercially Significant Constraint (CSC), and for which there exists a limited amount of Boundary Generation Resources between it and the particular CSC, so that the zonal deployment of Balancing Energy Service is effective in mitigating Zonal Congestion.” The ERCOT Protocols define two types of congestion: (1) CSC Congestion and (2) Local or Operational Congestion. CSC Congestion is transmission congestion that is determined to be “commercially significant” and is used to establish annual Congestion Zones. The Protocols require that ERCOT identify CSCs on an annual basis via the process described in Protocol Section 7.2.1, Process for Determining CSCs. The Board approved the 2007 CSCs at its September meeting.

When facility outages prevent the normal method for monitoring CSCs for Zonal Congestion management, CREs are used as the reference transmission facilities for monitoring transmission loading, zonal congestion, and the calculation and deployment of



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Balancing Energy to resolve zonal congestion.

ERCOT Staff has performed the analysis as prescribed in Protocol Section 7.2.3 to identify the appropriate CREs and presented the results to the appropriate subcommittee. The Wholesale Market Subcommittee (WMS) and TAC support the identification of the CREs described in Attachment A which provides a comparison of 2006 approved CREs to the 2007 recommended CREs.

Voting Record:

On 10/25/06, the WMS recommended approval of the 2007 CRE Recommendation described in Attachment A to TAC via email vote with two opposing votes from the Independent REP and Municipal Market Segments and two abstentions from the Independent Generator and Consumer Market Segments.

On 11/02/06, the TAC voted to recommend approval of the 2007 CRE Recommendation as recommended by WMS and described in Attachment A with one abstention for the Independent Power Marketer Market Segment.

Alternatives:

- (1) Approve the TAC recommendation regarding CREs;
- (2) reject the TAC recommendations; or
- (3) remand to TAC with instructions.

Conclusion/Recommendation:

TAC and ERCOT Staff recommend that the Board approve the CREs as recommended by TAC.