



Date: February 13, 2007
To: ERCOT Board of Directors
From: Mark Dreyfus, TAC Chair
Subject: Protocol Revision Requests

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: February 20, 2007

Agenda Item No.: 9a

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.

- ***PRR691, Nodal Implementation Surcharge Verifiable Costs. Proposed effective date: March 1, 2007.*** No budgetary impact; minor impact to Settlement and Billing; no impact to ERCOT computer systems; existing business processes can accommodate monitoring the number of verifiable costs; no impact to grid operations. This PRR adds the Nodal Implementation Surcharge as a verifiable cost for Resources called on for reliability purposes. PRR691 was posted on September 14, 2006. On October 19, 2006, PRS deferred consideration to its next meeting. On November 16, 2006, PRS unanimously voted to recommend approval of PRR691 as revised by ERCOT Staff comments and PRS. All Market Segments were present for the vote. On December 14, 2006, PRS unanimously voted to forward the PRS Recommendation Report and the Impact Analysis to TAC. All Market Segments were present for the vote. On January 4, 2007, TAC voted to recommend approval of PRR691 as recommended by PRS. There was one abstention from the Investor Owned Utility Market Segment. All Market Segments were present for the vote. The Credit Work Group (Credit WG) evaluated PRR691 and concluded that it introduces an additional fee assessed to QSEs paying for reliability services if the resource owner elects to submit verifiable cost information.
- ***PRR694, Modification of Certain Board Approvals. Proposed effective date: March 1, 2007.*** No budgetary impact; minor impact to PMO Pipeline Management, Corporate Operations Divisional Project Organization, Market Operations Divisional Project Organization, System Operations Divisional Project Organization, and Infrastructure Operations Divisional Project Organization; no impact to ERCOT computer systems; no additional business processes required; no impact to grid operations. This PRR proposes refinements as set forth in the TAC resolution of June 1, 2006, regarding modification of certain Board approvals. PRR694 was posted on September 25, 2006.



On November 16, 2006, PRS unanimously voted to recommend approval of PRR694 as revised by ERCOT Staff comments. All Market Segments were present for the vote. On December 14, 2006, PRS unanimously voted to forward the PRS Recommendation Report and the Impact Analysis to TAC. On January 4, 2007, TAC voted to recommend approval of PRR694 as recommended by PRS. There was one abstention from the IOU Market Segment. All Market Segments were present for the vote. ERCOT credit staff and the Credit WG have reviewed PRR694 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR695, Unaccounted for Energy (UFE) Analysis. Proposed effective date: March 1, 2007.*** *No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no additional business processes required; no impact to grid operations.* This PRR deletes outdated sections pertaining to UFE analysis and provides a more meaningful approach to annual UFE analysis reporting. PRR695 was posted on October 11, 2006. On November 16, 2006, PRS unanimously voted to recommend approval of PRR695 as submitted. All Market Segments were present for the vote. On December 14, 2006, PRS unanimously voted to forward the PRS Recommendation Report and the Impact Analysis to TAC. On January 4, 2007, TAC voted to recommend approval of PRR695 as recommended by PRS. There was one abstention from the IOU Market Segment. All Market Segments were present for the vote. ERCOT credit staff and the Credit WG have reviewed PRR695 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

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 691, 694 and 695 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.