



Date: April 10, 2007
To: 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: April 18, 2007

Agenda Item No.: 9a

Issue:

Consideration of Protocol Revision Request (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: May 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 Qualified Scheduling Entities (QSEs) representing 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 (1) abstention from the Investor Owned Utility (IOU) Market Segment. All Market Segments were present for the vote. On February 20, 2007, the Board remanded PRR691 to TAC as recommended by the TAC Chair. On March 8, 2007, TAC unanimously voted to recommend approval of PRR691 as revised by TAC Chair comments. All Market Segments were present for the vote. On March 21, 2007, the Board remanded PRR691 to TAC to clarify the language so it is clear that the 10% mark up on variable costs will not apply to the Nodal Implementation Surcharge. On March 30, 2007, TAC unanimously voted to recommend approval as amended by comments from NRG Texas. 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.



- ***PRR697 – Posting Requirement Changes. Proposed effective date: Upon system implementation. Expenditures to-date less than \$50,000, future expenditures \$50,000 to \$100,000 in capital project expenditures.; ongoing support has been absorbed by current Staff in anticipation of automation, which will remove the need for manual processing; ERCOT’s Enterprise Information Services (EIS)/Data Extracts team and the vendor of the Market Clearing Engine are researching the best method to enhance and automate the manual reports; the necessary business processes for posting this report manually are already in place; no impact to grid operations.*** This PRR incorporates changes resulting from Public Utility Commission of Texas (PUCT) SUBST. R. 25.502, Pricing Safeguards in Markets Operated by the Electric Reliability of Texas Power Region and new PUCT SUBST. R. 25.505, Resource Adequacy in the Electric Reliability of Texas Power Region, adopted under PUCT Project No. 31972, Rulemaking Concerning Resource Adequacy and Market Power in the Electric Reliability Council of Texas Power Region. PRR697 was posted on October 20, 2006. On November 16, 2006, PRS unanimously voted to recommend approval of PRR697 as revised by comments from CenterPoint Energy and PRS. The Independent Power Marketer (IPM) Market Segment was not present for the vote. On December 14, 2006, PRS tabled PRR697 until its January 2007 meeting. On January 22, 2007, PRS again tabled PRR697. On February 22, 2007, PRS voted to recommend approval of PRR697 as revised by comments from ERCOT Staff and Reliant. Also on February 22, 2007, PRS voted to assign PRR697 a priority of Critical and a rank of 9.5. There was one (1) abstention from the IPM Market Segment on both votes. All Market Segments were present for the votes. On March 8, 2007, TAC unanimously voted to recommend approval of PRR697 as amended by TAC. All Market Segments were present for the vote. ERCOT credit staff and the Credit WG have reviewed PRR697 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR705 – Emergency Interruptible Load Service (EILS) Interim Option – URGENT. Proposed effective date: April 19, 2007. Budgetary impact \$50,000 to 100,000; increased workload will be absorbed by current staff; may require minor system modifications for ongoing support to offset non-automated processes, some of which would be related to data aggregation development of the baselines; if needed, these minor system modifications are to be managed as a System Investigation Request (SIR); business processes will be impacted in Market Operations Support, Settlements and Billing Operations, Energy Analysis & Aggregation, Wholesale Client Services, and Legal; no impact to grid operations.*** This PRR would modify the ERCOT Protocols to allow for the use of an EILS when an Emergency Electric Curtailment Plan (EECP) is declared and all available Generation and Loads acting as Resources (LaaRs) have been deployed. PRR705 was posted on January 10, 2007. The submitter requested Urgent status, but on January 12, 2007, PRS did not grant Urgent status through email vote. On January 22, 2007, PRS voted unanimously to grant Urgent status to four PRRs (PRRs 702, 703, 704, and 705) addressing EILS. There was one (1) opposing vote from the Municipal Market Segment and one (1) abstention from the Independent Retail Electric Provider (IREP) Market Segment. All Market Segments were present for the vote. PRS



then voted to table the EILS PRRs until its February 2007 meeting and requested a report responding to specific questions by ERCOT Staff, Wholesale Market Subcommittee (WMS) and Reliability and Operations Subcommittee (ROS). On February 22, 2006, PRS again tabled PRR705. On March 22, 2007, PRS voted to recommend approval of PRR705 as revised by PRS and comments submitted by ERCOT Staff, and to take up the issue of the Non Opt-In Entity (NOIE) exemption as a separate PRR. There were two (2) opposing votes from the Cooperative and Municipal Market Segment, and six (6) abstentions from the Municipal (2), IOU, Independent Generator (IG), and IREP (2) Market Segments. All Market Segments were present for the vote. On March 30, 2007, TAC voted to recommend approval of PRR705 as revised by ERCOT Staff comments dated March 28, 2007, with the understanding that the Market had little option but to approve this PRR under PUCT SUBST. R. 25.507. The motion passed with one (1) opposing vote (IPM) and seven (7) abstentions from the IPM (4), IG (1), IREP (1), and Municipal (1) Market Segments. All Market Segments were present for the vote. ERCOT credit staff and the Credit WG has reviewed PRR705 for credit implications state that while this PRR will impact amounts billed and collected, it does not affect how exposure is calculated or monitored. No credit implications.

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, 697, and 705 as described above or as modified by the Board;
2. reject the TAC recommendation; or
3. remand PRRs 691, 697, or 705 to TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC recommends that the Board approve PRRs 691, 697, and 705 as described herein.