

**ERCOT STAFF RESPONSES TO
LONG-TERM SOLUTION TASK FORCE (LTSTF) QUESTIONS**

From May 7, 2007 Meeting

- 1. What actions or occurrences in the market would trigger a change in Responsive Reserve Service (RRS) in ERCOT system-wide, especially in light of the fact that 1150 MW is no longer the largest unit in the system?**

ERCOT Staff Response:

ERCOT Staff would endorse an increase in RRS if a detailed engineering study determined that 2300 MW of RRS is insufficient in the current system. Such a study should be overseen by ERCOT Planning (such as the pending Ancillary Services study related to the influx of geographically concentrated wind generation), ERCOT Operations, and/or the Reliability and Operations Subcommittee (ROS).

ERCOT Staff views additional operating reserves as an acceptable substitute for a late-stage EECF tool, such as the Emergency Interruptible Load Service (EILS). However, as noted in the ERCOT Staff's response to the April 23, 2007 LTSTF questions, the quantities of increased RRS currently under discussion (200 – 400 MW) would only partially meet the desired objective of 500 – 1,000 MW. ERCOT Staff also makes no judgment as to the costs and benefits of an increase in RRS for this purpose.

- 2. Is there a compelling reason why ERCOT cannot support the use of an ERCOT-deployed load shed timer (big red button)?**

ERCOT Staff Response:

Giving ERCOT direct load control via a “big red button” has risk implications (i.e., legal liability) for both ERCOT Market Participants and ERCOT Inc. as the Independent System Operator (ISO). Absent a consensus of approval for this concept from all Market Segments — including customers, Load Serving Entities (LSEs), and the Public Utility Commission of Texas — ERCOT believes these risks will likely outweigh any operational value. Accordingly, ERCOT would be extremely reluctant to assume authority and ultimate liability for physically curtailing customer Load.

ERCOT-initiated Load shedding would insert an action by the ISO between the customer and its LSE and the TDSP. Such a relationship is unprecedented in the market design in the ERCOT Region and probably within any ISO. Load-shedding via a breaker trip inevitably carries with it increased risk to human health and safety and the entity responsible for initiating the trip will bear at least some (if not all) of this responsibility regardless of how much care and foresight has been put into development of the legal contract between the parties. ERCOT Staff is currently unable to estimate the additional cost of liability insurance to cover such a responsibility.

ERCOT Staff has no objection to a timed breaker trip requirement if the actual load interruption signal is initiated by another party such as the Qualified Scheduling Entity (QSE). However, ERCOT Staff believes that the technology requirement of a timed breaker creates a barrier to entry for Load participation. By isolating specific Load for interruption, a timed breaker would decrease Load shedding options for many potential participants and would thus limit participation to Loads that can guarantee a fixed amount of interruptible capacity behind a single breaker at all times. Timed breakers would also complicate both the ability of aggregations of interruptible Loads to participate in Load response and the ability of Market Participants to call upon different Loads to provide interruptible services at different times of the day.