

**DETAIL ON ERCOT STAFF INPUT
to Long-Term Solutions Task Force (LTSTF) Matrix
August 14, 2007**

Issue: Administratively-Set Price Floors during Alerts and Emergency Electric Curtailment Plan (EECP) Conditions

ERCOT Staff is concerned about the lack of correlation between scarcity and high prices, and would not oppose a Protocol Revision Request (PRR) that establishes a price floor for energy during Alerts and EECP conditions.

Administratively-set prices cannot easily be programmed for display through the SPD clearing engine, so communications of real-time price signals would be limited to existing channels for ERCOT Operations' declarations of Alerts and EECP Steps.

Evidence to date suggests that only a small amount of Load has been responding to high prices. It is possible that sustaining high prices for multiple intervals throughout periods of scarcity could provide additional incentive to attract more price-responsive Load. ERCOT Staff would support additional study targeted at quantifying potential Load response to various administratively-set scarcity pricing scenarios.

However, ERCOT Staff is not convinced that voluntary price response can be considered a reliable substitute for contractually-committed Load response such as Emergency Interruptible Load Service (EILS).

ERCOT Staff makes no judgment as to the costs and benefits of any of the various proposals, but would point out that there would likely be considerably higher costs than the current EILS.

Issue: Increased Operating Reserves

ERCOT Staff would not oppose a PRR that increases the amount of full-time operating reserves (RRS and/or NSRS). However, ERCOT Staff continues to recommend that any such increase should be preceded by a finding from a detailed engineering study that current reserve levels in the ERCOT System are insufficient. Such a study is currently under consideration at the Reliability Operations Subcommittee (ROS) and the Dynamics Working Group (DWG). (The ERCOT Planning study currently underway will evaluate the need for additional operating reserves to support large increases in wind generation but is not designed as an all-inclusive study of ERCOT Ancillary Services.)

Current ERCOT Systems would allow increases in Ancillary Services as long as the LaaR percentage of RRS does not exceed 50%. In the absence of a detailed engineering study, ERCOT Staff continues to have concern that increasing the amount of LaaR on UFR could potentially affect system reliability due to the increased risk of frequency overshoot.

ERCOT Staff views additional operating reserves as an acceptable operational substitute for a late-stage EECF tool such as EILS.

ERCOT Staff makes no judgment as to the costs and benefits of any of the various proposals, but would point out that there would likely be considerably higher costs than the current EILS.

Issue: Denton Proposal (including ERCOT “Big Red Button”)

ERCOT Staff is concerned about potentially increased legal liability and notes that ISO-initiated direct Load control is not currently in place at any other ISO or RTO. However, ERCOT Staff is willing to work with Market Participants on this issue as long as all segments of the market – including customers and Load Serving Entities (LSEs) – and the Public Utility Commission of Texas are engaged.

ERCOT Staff has no objection to a timed breaker trip requirement if the interruption signal is initiated by another party such as the QSE.

ERCOT Staff believes that the technology requirements (timed breaker and telemetry) proposed by Denton are additional barriers to entry for new Load participation.

Numerous details remain to be worked out before ERCOT Staff can offer additional comments on the Denton proposal. Unknowns currently include:

- Procurement method (clearing price or as-bid).
- Deployment trigger(s).
- Baseline(s).
- Eligibility of aggregated Loads.
- Cost cap.
- Settlement.
- Registration.
- Compliance.

Issue: Good Company/EnerNOC proposal

[No comments offered pending submission of revised proposal from Good Company.]

Issue: Zarnikau-Oren proposal

ERCOT Staff could support this concept and agrees that many of the Protocol provisions and internal processes already developed for EILS could be migrated to support this

proposal. However, detail is currently sparse on the following issues which could affect ERCOT's ability to implement and/or administer the program:

- ERCOT Staff responsibility for developing (or managing development of) projected price duration curves. This is outside ERCOT Staff's normal areas of expertise and it will likely prove difficult to achieve market consensus on the methodology.
- Potentially more complex manual settlement process than EILS. New complexity includes calculation and application of additional payments for short-duration deployments.

ERCOT Staff also has concerns about some aspects of the proposal's ability to attract Load participation:

- Insufficient advance notice of MCPs in zonal market.
- Day-ahead prices in Nodal are unlikely to reach levels of the proposed strike prices.
- No advance notice of real-time LMPs in Nodal. (Issue in discussion stage at DSWG.)
- Temperature-sensitive Loads appear to be blocked from participation as high prices cannot be guaranteed to occur only during temperature extremes.

Additional questions:

- Criteria for duration of deployments.
- Metering requirements.
- Registration, bidding, and measurement and verification for aggregated Loads.

ERCOT Staff encourages Market Participant dialogue on this concept and reserves the right to file additional comments as details are developed.

Issues: Improvements to EILS (Steel mills' proposal)

Public education campaign:

- ERCOT Staff has limited resources to sustain a region-wide educational initiative. EILS workshops in Dallas and Houston attracted participation from 90+ Market Participants and Load representatives.

Refine and simplify forms and submissions:

- ERCOT Staff has made clarifications and improvements to the forms and has received no subsequent negative feedback.

Pre-established baselines:

- ERCOT Staff cannot guarantee it will have time to analyze Load data and consult individually with all participants in advance of bid cycle but will make every effort to assist prospective participants.

Alternate baseline safe harbor

- ERCOT Staff has discussed alternate baseline requirements in detail at all workshops and has communicated details to numerous Loads individually. However, all EILS Resources are subject to their Protocol requirements for availability and performance; there is no “safe harbor.”

Reduce the 500 MW threshold

- Less than 500 MW of Load reduction has limited operational value to ERCOT, which is why ERCOT Staff proposed the floor. However, ERCOT Staff could support ramping the floor to 500 MW as a way of enabling the program to get started. This would require a PUC Substantive Rule change.

Remove or change the cost cap

- ERCOT Staff stands by its cost cap recommendation of \$20 million per year as appropriate to the risk of deployment of EILS, but would not oppose raising the cap if supported by Market Participants and/or the PUC. This would require a PUC Substantive Rule change.

Establish a minimum program duration requirement

- ERCOT Staff could support this proposal.

Convert to market clearing price structure.

- “As-bid” system is modeled after Black Start, which is similarly procured for longer periods of time than traditional day-ahead Ancillary Services. ERCOT Staff is unsure how a clearing price structure would work in conjunction with a cost cap. However, ERCOT Staff would not oppose such a proposal if this issue can be worked out. This would require a PUC Substantive Rule change.

Incentivize third parties to market EILS

- ERCOT Staff’s traditional relationships are with Market Participants and therefore it has limited ability to reach out to third parties. However, ERCOT Staff has no objection to this proposal, pending additional detail.

Additional references from LTSTF meeting pages:

[ERCOT response to LTSTF questions-050207-FINAL](#)

(05/03/07, .pdf, 39 KB)

[ERCOT response to LTSTF questions-053007-FINAL](#)

(06/01/07, .pdf, 17 KB)