

**ERCOT Staff Report Pursuant to ERCOT Protocol § 6.5.12(19)
Regarding Emergency Interruptible Load Service (EILS)
April 19, 2008**

ERCOT submits this Staff Report to the Technical Advisory Committee (TAC) pursuant to ERCOT Protocol § 6.5.12(19) which states “ERCOT will review the effectiveness and benefits of the EILS every twelve (12) months from the start of the program and report its findings to TAC.”

The first EILS Contract Period began on April 19, 2007, following approval of Protocol Revision Request (PRR) 705 by the ERCOT Board of Directors (ERCOT Board) on April 18, 2007. This Staff Report is posted timely in accordance with the ERCOT Protocol requirement cited above.

EILS History

At its March 20, 2007 Open Meeting, the Public Utility Commission of Texas (PUCT) approved PUCT Substantive Rule § 25.507, *Electric Reliability Council of Texas (ERCOT) Emergency Interruptible Load Service (EILS)*,¹ requiring ERCOT to develop and administer EILS. The PUCT approved amendments to the PUCT Substantive Rule at its November 1, 2007 Open Meeting.²

In relation to these PUCT rulemaking activities, ERCOT stakeholders have recommended and the ERCOT Board has approved the following PRRs related to EILS:

- PRR705 Emergency Interruptible Load Service (approved 04/18/07)
- PRR716 Self-Provision of Emergency Interruptible Load Service (approved 05/16/07)
- PRR717 EILS Disputes and Resettlements (approved 12/11/07)
- PRR723 Conform 5.6.6.1 EECF (approved 06/19/07)
- PRR725 Emergency Interruptible Load Service Formula & Standard Form Correction (approved 09/18/07)
- PRR746 Revisions to EILS Provisions to Conform to Amended P.U.C. Subst. R. 25.507 (approved 12/11/07)

Procurement History

To date, ERCOT has solicited bids to provide EILS for four Contract Periods, as follows:

1. April 19, 2007 - May 31, 2007
2. June 1, 2007 - September 30, 2007
3. October 1, 2007 - January 31, 2008
4. February 1, 2008 - May 31, 2008.

¹ PUCT Project No. 33457, *PUC Rulemaking Concerning a Demand-Response Program for ERCOT Emergency Conditions*.

² PUCT Project No. 34706, *PUC Rulemaking to Amend ERCOT Emergency Interruptible Load Service*. Among the amendments adopted by the PUCT were the elimination of the 500 MW procurement floor and an increase in the annual EILS cost cap from \$20 million to \$50 million.

ERCOT received insufficient bids to reach the minimum procurement floor of 500 MW which was in effect for the first three EILS procurement cycles. As such, EILS was not procured until the most recent cycle. Below are the total MW offered into and procured for EILS for each Contract Period and Time Period to date:

<i>Contract Period</i>	<i>Time Period</i>	<i>Capacity Offered</i>	<i>Capacity Procured</i>
April - May 2007	Business Hours ³	156 MW	0
	Non-Business Hours ⁴	156 MW	0
June - Sept. 2007	Business Hours	213 MW	0
	Non-Business Hours	213 MW	0
Oct. 2007 - Jan. 2008	Business Hours	170 MW	0
	Non-Business Hours	180 MW	0
Feb. - May 2008	Business Hours	270 MW	262 MW
	Non-Business Hours	289 MW	185 MW

EILS procurement for the current Contract Period (February - May 2008) is projected to cost \$5,340,790.32.⁵

Operational Effectiveness & Benefits

EILS is deployed only in Step 3 or Step 4 of the Emergency Electric Curtailment Plan (EECP). ERCOT Operations declared EECP Step 2 on February 26, 2008, but did not progress further into the EECP. No other EECP events have been declared since the initial procurement of EILS. Accordingly, it is premature to determine whether the Qualified Scheduling Entities (QSEs) and EILS Resources providing EILS would have performed according to their requirements, or whether an EILS deployment would have served its intended purpose of providing a tool for ERCOT Operations to avoid the need to shed firm Load (*i.e.*, initiate rolling blackouts) during an Emergency Condition.

EILS Resources are also required to maintain their Load online for at least 95 percent of their committed hours within a Time Period. ERCOT will conduct its availability review of committed EILS Resources within the prescribed 45 days after the end of the current Contract Period.⁶

Market Effectiveness & Benefits

In approving the amendments to PUCT Subst. R. § 25.507, PUCT Commissioners clearly expressed a secondary purpose for EILS of enabling additional demand response participation in the ERCOT market:

³ Hour Ending (HE) 0900 through 2000, Monday thru Friday, except ERCOT Holidays.

⁴ All other hours.

⁵ Based on bids awarded. Final settlement numbers are subject to reduction based on availability and performance.

⁶ See ERCOT Protocol § 6.10.13.3(3)(a). The 45-day deadline for the current Contract Period occurs on July 15, 2008.

The commission agrees . . . that one of the important values of this program is to establish the role of demand-response in providing reliability services in ERCOT by enlisting numerous customers as providers of demand-response, particularly customers in classes that have not participated in the LaaR program. The commission also finds value in having resources that have not participated in demand response programs being enabled to do so by this program. The commission encourages ERCOT to make an effort to attract such customers to the program.⁷

As detailed in the table below, only 37% of EILS capacity currently committed in the Business Hours Time Period is being provided by registered Loads Acting as a Resource (LaaRs), and none of the EILS Resources committed in Non-Business Hours are registered LaaRs. These non-LaaR EILS Resources can be viewed as new demand response resources, especially insofar as they were previously not available for dispatch by ERCOT during an Emergency Condition.

EILS Resource Analysis (Feb. May 2008 Contract Period):

<i>Time Period</i>	<i>Total</i>	<i>Registered LaaR</i>	<i>Non-LaaR</i>
Business Hours	262 MW	98 MW (37%)	164 MW (63%)
Non-Business Hours	185 MW	0 MW (0%)	185 MW (100%)

Additionally, LaaR participation in EILS does not necessarily imply that available demand response resources are simply “migrating” to a different service. Today, ERCOT has over 2,000 MW of registered LaaR capacity, with only 1,150 MW of Responsive Reserve Service (RRS) available for LaaR procurement in any given hour. EILS can thus be viewed as an alternative opportunity for interruptible Loads, providing value by making additional emergency Load reduction capacity eligible for ERCOT dispatch.⁸

⁷ Preamble to PUCT Rulemaking Project No. 34706, pgs. 4-5, Nov. 8, 2007.

⁸ LaaR participation in EILS may also be reducing the amount of LaaR pro-rata that occurs in the RRS market due to tied bids.