



Date: October 14, 2008
To: Board of Directors
From: Kent Saathoff, Vice President of System Operations
Subject: ERCOT Proposed Ancillary Service Methodology

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: October 21, 2008

Agenda Item No.: 7d

Issue:

Section 6.4.1(2) of the ERCOT Protocols states that, “ERCOT shall, at least annually, determine with supporting data, the methodology for determining the minimum quantity requirements for each Ancillary Service needed for reliability, including the percentage of Load acting as a Resource allowed to provide Responsive Reserve Services calculated on a monthly basis.”

Section 6.4.1(4) of the ERCOT Protocols requires that, “The ERCOT Board shall review and approve methodology for determining the minimum Ancillary Service requirements and the monthly percentage of Load acting as a Resource allowed to provide Responsive Reserve Service.”

ERCOT staff and TAC recommend revised requirements to be effective in 2008, as described in Attachment A.

Background/History:

Ancillary Services are necessary to maintain the reliability of the ERCOT system. The ERCOT Protocols define these Ancillary Services and charge ERCOT with determining a methodology for the minimum levels of Ancillary Services required. ERCOT staff developed proposed changes to the methodology previously approved by the ERCOT Board on December 11, 2007.

The revised methodology description is attached hereto as Attachment A. The revised methodology was reviewed and approved by TAC at its October 2, 2008 meeting.

Key Factors Influencing Issue:

Ancillary Services are necessary to ensure that there are sufficient resources to serve system load and maintain system frequency in the ERCOT system. Determining the minimum amount of services required to do this is based on operating experience, analysis and engineering judgment. The proposed methodology reflects ERCOT’s best judgment on minimum Ancillary Services needed for the ERCOT single Balancing Authority.



The proposed methodology was reviewed and endorsed by the Reliability and Operations Subcommittee and by TAC.

The changes from the 2007 – 2008 Methodologies for Determining Ancillary Services Requirements document approved by the Board on December 2007 are related to the Regulation Reserve Services and to the Non Spinning Reserve Services. The changes are shown in red-line in Attachment A, and can be summarized as follows:

- Purchase Non Spinning Reserve Services based on the accuracy of the wind and load forecasts instead of an amount equal to the largest unit. Procurements will no longer be limited to peak load hours depending on temperature forecasts but will include all hours and be linked to an error analysis that combines the wind and load forecasts.
- Incorporate the impact of increasing wind generation on Regulation.
- Provides a mechanism to increase Regulation Reserve Service procurements if the average CPS1 score for the previous 30 days fell below 100.

Alternatives:

- (1) Approve the recommendation on the “2008 – 2009 ERCOT Methodologies for Determining Ancillary Service Requirements” as endorsed by the TAC or as modified by the Board;
- (2) Reject the recommendation, leaving current methodology unchanged; or
- (3) Remand to ERCOT Staff with instructions.

Conclusion/Recommendation:

TAC and ERCOT Staff respectfully recommend that the Board approve the proposed changes to the methodology for determining Ancillary Service Requirements as presented herein, and reaffirm the unchanged sections of the document until the next review in 2009.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to comply with the requirements of the ERCOT Protocols that charge ERCOT to determine a methodology for the minimum levels of Ancillary Services required; and

WHEREAS, the ERCOT Board further deems it desirable and in the best interest of ERCOT to approve the recommendations of TAC and ERCOT Staff to change the methodology of determining Ancillary Service Requirements as reflected in the 2008-2009 ERCOT Methodologies for Determining Ancillary Service Requirements, which are attached hereto as Attachment A, and to reaffirm the unchanged sections of this document until the next review in 2009.

NOW, THEREFORE, BE IT RESOLVED, that the 2008-2009 ERCOT Methodologies for Determining Ancillary Service Requirements, which are attached hereto as Attachment A, are hereby authorized and approved in each and every respect to be accepted by ERCOT as the methodology for determining Ancillary Service Requirements until the next review of such methodology in 2009.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its October 21, 2008 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by a vote of _____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2008.

Michael G. Grable
Corporate Secretary