



Report to TAC

April 2008

In Brief

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 - SCR 754
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Working Group Reports

CMWG

- CRE proposals (Flewellen-Peters and Hockley-Tomball)
 - CWMG expressed concerns regarding the ERCOT
 - Improved notice and transparency needed
 - PTDF effectiveness - potential PRR before 2010 CSCs
 - WMS and TAC need updates on CRE in April and May

- PRR 801 - QSE Day Ahead Metric
 - deferred action

Working Group Reports

CMWG

- **NOGRR 025 - Monitoring Programs for QSEs, TSPs, & ERCOT**
 - WMS voted to direct the CMWG to consider the OWG comments spreadsheet and asked to return to WMS in April with preliminary recommendations and timeline for implementation.
 - As of March 30, CMWG recommends weekly posting for all three items
 - If constraint shows up in RT for three days when it was not active in DAM, it will be identified and posted
 - If a congestion constraint in RT occurs for 2 consecutive hours that was not in HRUC or DRUC it should be posted

Working Group Reports

CMWG

- **PRR 801 - Manual TCR Adjustments**
 - deferred action
 - CMWG support for ERCOT goal of making each month revenue neutral
 - ERCOT committed to due a case study, create a process to improve outages included in model and use Nodal Protocols for guidance on outage inclusion

Working Group Reports

MCWG



- **RECOMMEND: TAC Endorse consensus recommendations for Market Credit Risk Standard (MCRS):**
 - ERCOT will modify the MCRS to bifurcate all scenarios $> 99\%$ as a new bullet titled “large impact stress scenarios” to clearly delineate that these runs represent “black swan” events
 - ERCOT will revise the MCRS to incorporate previous CWG recommendation to have an entity that is relying on a guarantor, to take on the rating of the guarantor, up to the amount of the guaranty
 - previously the unrated entity would take the midpoint between the guarantors rating and CCC+
 - Presently the models engine will not allow for this and Staff is investigating what is needed to run the model with the revised methodology
 - ERCOT will provide the MCWG with its plan to manage the MCRS, including plans for staffing with persons with the requisite skill set in financial engineering
 - ERCOT will report back to MCWG on the feasibility of running the MCRS on a frequency greater than quarterly
 - ERCOT will run a simulation of the MCRS using the present methodology and the revised methodology for entities providing a guarantor, for the same period, to demonstrate the difference from applying the different methodologies
 - ERCOT will publish the detail components of the MCRS engine as a procedure document for stakeholders

Working Group Reports

MCWG

- **NPRR 0147 (DAM Short Pay)**
 - deferred action at WMS
 - Consensus of need to consider a cap on the amount of the Reserve Fund, a refund mechanism, and to have a joint CMWG/MCWG
 - ERCOT needs to provide implementation concerns & approval deadline for go-live implementation
 - **March 30**
 - Discussed various proposals – no consensus on outstanding issues
 - Parties will submit their own comments
 - Issue will continue to be discussed at MCWG

Working Group Reports

QMWG

- Jennifer Troutman endorsed as Vice Chair
- OGRR: QSE ICCP standard for Zonal
 - Revises the required communication technology for QSE frequency control data from RTU-only to RTU or ICCP.
 - Allowing QSEs to begin the move to the communication technology that will be in affect at the nodal go-live.
- WGRPP Forecast Performance – update
- WGR only QSE Scheduling Metric – update

Working Group Reports

VCWG

- Modification of FIP Draft NPRR Language –approved with 3 opposed and 2 abstained
 - Modifying the Verifiable Startup Cost and Verifiable Minimum Energy Cost to include a 10% adder to the Fuel Index Price (FIP) to better align cost recovery of typical intra-day actual gas costs, and
 - Providing for recovery of exceptional fuel costs above FIP *1.Y subject to the ERCOT dispute process.

- Y to be determined at April WMS

Working Group Reports

VCWG

5.6.1.2 Verifiable Minimum-Energy Costs

- (1) The unit-specific verifiable minimum-energy costs for a Resource are:
 - (a) Actual fuel cost to operate the unit at its LSL; plus
 - (b) Variable operation and maintenance expenses; plus
 - (c) Nodal implementation surcharges to operate the unit at its LSL.
- (2) The QSE must submit the Resource's cost information by season if the Resource's costs vary by season. For gas-fired units, the actual fuel costs must be calculated using the actual seasonal heat rate (which must be supplied to ERCOT with seasonal heat-rate test data) multiplied by the FIP * 1.10. For coal- and lignite-fired units, the actual fuel costs must be calculated using the actual seasonal heat rate multiplied by a deemed fuel price of \$1.50 per MMBtu. For fuel oil-fired operations, the number of gallons burned must be multiplied by the FOP.

9.14.7 Disputes for RUC Make Whole Payment for Exceptional Fuel Costs

- If the actual price paid for delivered natural gas for a specific Resource during a RUC Committed Interval is greater than FIP * 1.Y, then the QSE may file a settlement dispute for that Resource's RUC Make-Whole Payment. The maximum amount that may be recovered through this dispute process is the difference between the RUC Guarantee based on the actual price paid and a fuel price of FIP*1.Y.

Working Group Reports

VCWG

- NPRR167 – Options for Filing Verifiable Costs
 - Endorsed - VCWG Proposed Solution
 - Allow either Resources or QSEs to file Verifiable Costs
 - Provides best solution to address issues inherent with requiring only a single entity (either Resource Owner or QSE) to submit costs
 - ERCOT will create defined procedures to ensure data integrity, accountability and confidentiality
 - Defined procedures will address responsibilities and required documentation
 - Supports various business models and services that are provided in the market (I.e. QSE Services, future Tolling Agreement/PPA's etc)
 - Identifies the entity responsible for a resources data without giving up issues of confidentiality
 - Reduces overhead work from ERCOT by allowing resource costs to remain with the Resource Owner and not the QSE
 - Also Endorsed
 - associated White Paper and to direct ERCOT to prepare a draft affidavit for WMS approval

Other WMS activity



Revision Requests of Note

- **RECOMMEND: TAC APPROVAL WITH URGENT STATUS**
- **SCR 754 - Replace Email Delivery of WGRPP Forecasts (formerly “WGRPP Forecasts Posted on Zonal TML”)**
 - This System Change Request (SCR) proposes to provide a secure and programmatic means to supply the WGR QSEs with their forecasts
 - **New SOLUTION:** ERCOT will leverage EMMS infrastructure to provide WGR QSEs their current forecasts through the existing zonal XML Market User Interface
 - WMS unanimously voted to grant SCR754 Urgent status, recommend approval of SCR754 as amended and endorse the Impact Analysis and CBA with a recommended project priority of 2-High and ranking of 39.2.
 - \$50k to \$100k completed in less than three months upon approval.

Other WMS activity

Revision Requests of Note

- **PRR 803 - Revised Implementation Approach for PRR 601**
 - Endorse this PRR as submitted. WMS requested that the QSE Managers Working Group (QMWG) review testing issues associated with PRR803 for a potential future PRR.
 - PRR will allow more BES to be deployed, and is expected to improve dispatch efficiency - endorsed as submitted and requested that the QMWG review testing issues associated for a potential future PRR.
 - CBA is very conservative and there could be more benefits, key benefits:
 - Improve Dispatch efficiency by better ramp rate utilization.
 - Allows more BES to be deployed and may tend to reduce Regulation Service (RGS) deployment.
 - Provides access for more generation in a 15-minute interval from the BES stack.
 - Addresses QSE Balancing Energy Ramp Rate Violations across morning and evening peaks.
 - Changes are required to the Energy Management System to accommodate different ramping feature.
 - Cost of the project ~\$175K, with a three-to-six months implementation

Other WMS activity

Revision Requests of Note

- **PRR 800 - QSE Day Ahead Metric**
 - Recommend that PRS continue to defer action on this PRR until the Texas Regional Entity (TRE) has submitted comments and to request that ERCOT provide a statement of the benefits associated with this PRR.

WMS 2009 Goals

Item	WMS input/direction needed by
Nodal Market Transition	On-going
Nodal Verifiable Cost Methodology	On-going (VCWG)
Approved Zonal PRRs – Analysis and Prioritization	Q1-Q2
Consideration of timely, economic improvements to Zonal Market	Before Q4
Determine CSCs for 2010	Q3 (CMWG)
Market Issues Related to:	
Credit issues	On-going (MCWG)
EILS and AS Markets	On-going
Integrating advanced meters & other demand response into Ancillary Service Markets	On-going (DSWG)
Wind & related renewable technology integration	On-going (QMWG/RTWG)

