

**Technical Advisory Committee**

**2010 Structural and Procedural Review**

**LCRA Comments**

**Review and Recommendations**

**Version \_0.01**

# Purpose

The ERCOT Technical Advisory Committee (TAC) proposes to annually review, analyze and improve its existing processes and organizational structure for the purpose of enhancing efficiency, effectiveness, and aligning its structure to meet new goals and objectives. This document summarizes that process as well as the proposals and recommendations of TAC arising from its 2010 *Structural and Procedural Review*.

# Process

In the third quarter of each year, TAC leadership, including the leadership of each of the TAC subcommittees, will meet for the purpose of generating proposals for possible structural and procedural improvements. All meetings will be open to any interested party. All improvement proposals developed at the TAC leadership meeting will be presented to the TAC membership at the next regular meeting of TAC to gather further input.

Following the gathering of input from TAC members, a draft *Structural and Procedural Review* document will be circulated to all TAC members and comments will be solicited. The comments received will be discussed at the next TAC meeting with the expectation of finalizing a document for presentation to the ERCOT Board of Directors.

# Four Major Structural and Process Improvement Target Areas

Irrespective of the task, it is important that each task is designed and periodically reviewed, improved, or substituted by another task, with a view to continuous improvement in four major areas:

1. Effectiveness;

2. Efficiency;

3. Transparency; and

4. Fairness

The recommendations will be divided below into Structural Improvement Proposals and Procedural Improvement Proposals.

# Structural Improvement Proposals

## Retirement of the Commercial Operations Subcommittee

**Proposal Description:**

Retire the Commercial Operations Subcommittee (COPS) and consolidate the three working groups under COPS into a single working group to be known as the Settlements Working Group. The Settlements Working Group will report to the Wholesale Market Subcommittee (WMS).

**Discussion:**

The Commercial Operations Subcommittee was originally created as a single forum to address and design those unique Market Processes that affected both the Wholesale and Retail Market. Much of the work developing these processes has been completed and the majority of the current work products produced by COPS are Settlement related.

None of the current work of COPS is being eliminated but, rather, will be performed by the Settlements Working Group under WMS. It is expected that this new structure would facilitate working relationships between various entities in what is now multiple working groups and may improve the working efficiency on common issues while allowing greater participation across all efforts related to a single topic (Settlement).

Coincident with this restructuring, the Metering Working Group that is currently reporting to WMS would be merged into the new Settlements Working Group.

**Recommendation and Timing:**

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TAC does not recommend approving this proposal at this time.

Specifically TAC finds that:

1. Effectiveness: COPS has provided a reasonable and successful way to align the settlement needs of ERCOT and the numerous market participants. The slow down in COPS work over the past few months reflects the good work done in the first few years of the Zonal market.

2. Efficiency: COPS was not a part of the original stakeholder committee structure prior to the implementation of the Zonal market. As market participants began receiving their settlement statements, it became immediately clear that a great deal of very detailed analysis and problem solving needed to go on. This work required multiple meetings each month in the early stages of Zonal. There is a high probability that their work load will resume as soon as Nodal begins and will not be completed in the first year of the Nodal market.

3. Transparency: The work of COPS is divided between Retail and Wholesale issues. Moving this workload under either WMS or RMS will obscure the view into these issues from the other group.

4. Fairness: N/A

## Retirement of the Protocols Revision Subcommittee

**Proposal Description:**

Retire the Protocols Revision Subcommittee (PRS) and incorporate its activities into WMS, the Retail Market Subcommittee (RMS), and the Reliability and Operations Subcommittee (ROS).

**Discussion:**

Under this proposal, the PRS would be retired and its primary functions would be accomplished by other standing committees. PRS is specifically tasked in the Protocols with reviewing and recommending action on formally submitted Protocol Revision Requests (PRRs) and Nodal Protocol Revision Requests (NPRRs). A retirement of PRS would necessitate a change to the Protocols.

Supporters of the proposal claim that the retirement of the PRS would eliminate redundancy, streamline the process, reduce the number of subcommittee meetings, and allow for a restructuring of meeting dates to improve efficiency. Opponents of the proposal claim that eliminating PRS and replacing it with three subcommittees that will be able to propose rule revisions directly to TAC would actually increase the time and resources required for participation and may decrease transparency. Others argued for caution with regard to implementing the proposal in 2011 due to the probable increase in workload related to emerging nodal issues.

**Recommendation and Timing:**

TAC does not recommend approving this proposal at this time.

Specifically TAC finds that:

1. Effectiveness would not be improved, as 10 years of experience has honed the protocol revision process into a reasonably smooth operation that provides the necessary due process notifications, votes, review times, and ERCOT impact assessments. In addition to the normal administrative processing of revision requests, the current framework allows for expedited processing of issues that need to move faster by using the “Urgency” tool, and the ERCOT Board has the ability to implement changes it deems essential on whatever timeline it feels appropriate.
2. Efficiency would not be improved as the elimination of the PRS does not eliminate work that has to be done by stakeholders or ERCOT staff. The existence of the PRS provides a single point of interface between the market participants and the rule book for the system. History has shown repeatedly that the process of maintaining a properly functioning market requires continuous adaptation of the rules to keep up with participant understanding, technology changes, new regulatory requirements, and changes in the law. PRS provides the institutional Due Process for these changes. Elimination of the PRS would simply require that the process be redefined to do the same work under a different organizational structure.
3. Transparency would probably suffer as the gatekeeper process currently provided by PRS that assures that the proper subcommittees are given the chance to review proposed changes would have to move to the TAC level. When PRS refers a revision request to a subcommittee it is a peer to peer request. The form of the request and the accompanying documents are all subject to review and continuing input from everyone at all levels. When TAC makes a request, it is free to encumber that request with guidelines or limitations that result from partially made decisions by the highest stakeholder body.
4. Fairness would probably suffer as well. The PRS process helps assure that all of the rules agreed to by stakeholders are followed when changing the rules. At the end of the PRS process, there is still one more stakeholder body (TAC) that gets to review the changes and the procedure that has been followed; this provides an appeal avenue for decisions regarding rule changes before submitting proposed changes to the ERCOT Board, which by design is not a stakeholder-only body.

## Retirement of All Workgroups Reporting Directly to TAC

**Proposal Description:**

Retire the Nodal Advisory Task Force following completion of Nodal stabilization and incorporate its tasks into the standard subcommittee processes. Retire the Renewable Technologies Working Group and incorporate its remaining works into the existing Power Storage Working Group reporting to WMS that will be renamed the Emerging Technologies Working Group.

**Discussion:**

* The primary functions of the Nodal Advisory Task Force (NATF) are to timely respond to all ERCOT Nodal Project Team’s requests for Market Participant input and to assist in transitioning TAC subcommittees to the Nodal environment. Those functions will largely be accomplished following Nodal stabilization. The NATF should be retired in the second quarter of 2011.
* The Renewable Technologies Working Group (RTWG) was established to coordinate and track stakeholder efforts to capture the benefits and address the challenges associated with the introduction of renewable energy generating technologies interconnected to the ERCOT grid. Much of the work of this working group will be accomplished with the completion of the Texas Renewable Implementation Plan in the 3rd Quarter of 2010. The remaining work of the working group, including future quarterly renewable reports, will be combined into the new Emerging Technologies Working Group reporting to WMS at the beginning of 2011. However, some parties have raised a concern that movement of the working group under a subcommittee could diminish its perceived importance.

**Recommendation and Timing:**

TAC recommends approval on the timeframes indicated above (See Figure 1).

## Restructure and Retirement of Certain Workgroups Reporting to the RMS

**Proposal Description:**

Retire the Retail Metering Working Group, Retail Advanced Meter Processes Task Force, Texas Test Plan Team, Market Trak Task Force and the Meter Tampering Task Force.

**Discussion:**

* The Retail Metering Working Group no longer has regular activities that warrant a standing WG. The Competitive Meter Guide will be included into the Retail Market Guide. The Working Group will retire at the end of the year.
* The Retail Advanced Meter Processes Task Force will be retired before the end of 2010. This Task Force no longer has any activities to address on behalf of the market.
* The Texas Test Plan Team will be retired and its activities will be moved under the existing Texas Standard Electronic Transactions Working Group.
* The Market Trak Task Force will be retired in 2011 following completion and stabilization of the MarkeTrak project associated with SCR756 and all remaining tasks of the task force will be moved to the existing Texas Data Transport Working Group
* The Meter Tampering Task Force will be retired at the end of 2010. The project that required this TF to be created has been implemented. The TF will have a few additional items to address with the final approval of PUCT Project 36131 creating another Switch Hold process, but should conclude its activities this year.

**Recommendation and Timing:**

TAC recommends approval on the timeframes indicated above (See Figure 1).

## Restructure and Retirement of Certain Workgroups Reporting to the WMS

**Proposal Description:**

Merge the activities of the Market Credit Working Group (MCWG) with that of the Credit Working Group (CWG) reporting to the Board.[[1]](#footnote-1)

**Discussion:**

The Board of Directors established the CWG as a group of credit professionals to help ensure that appropriate procedures are implemented to mitigate credit risk in the ERCOT Region in a manner that is fair and equitable to all Market Participants. The TAC ordered WMS to create the MCWG to provide WMS with input and recommendations on issues of credit risk management. The MCWG could be retired if WMS were allowed to query the CWG regarding input and recommendations on issues of credit risk management and the CWG was responsive to those requests.

**Recommendation and Timing:**

TAC does not recommend adopting this proposal at this time. TAC will offer this proposal to the Board of Directors for their consideration.

## Restructure and Retirement of Certain Workgroups Reporting to the ROS

**Discussion:**

There are no new proposals for the ROS. The ROS has recently created a Planning Working Group (PLWG) and intends to have the Steady State, System Protection, and Dynamics Working Groups become Task Forces under PLWG (See Figure 1).

Figure 1

# Procedural Improvement Proposals

## Alter the Subcommittee Meeting Calendar to Improve Communications

**Proposal Description:**

The current subcommittee meeting calendar creates inefficiencies in communicating decisions from WMS to PRS.

**Discussion:**

PRS currently meets the day following WMS. As many policy issues are debated at WMS, there is limited time for parties to digest the decisions and/or discussions at WMS, to formulate company positions and to then document written comments prior to the PRS meeting. This often leads to comments being filed late, verbal comments delivered at the PRS meeting, and delayed PRS action. By moving WMS a week prior to PRS, this would allow time for deliberations and encourage written comments to be filed fostering better preparation and improving efficiency.

If COPS is converted to a working group (see Structural Improvement Proposal 4.1), this allows an extra day available for subcommittee meetings in the second week of the month. RMS could be moved to Tuesday thus allowing WMS to be moved to the second week of the month. Since there are issues that tend to overlap between WMS and ROS as well as ROS and RPG, those groups should be parallel to allow for ease of participation at both meetings if one chooses. A proposed schedule is shown in Figure 2.

**Recommendation and Timing:**

TAC recommends approval.

May 2011

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday |
|  |  |  |  |  |  | 1 |
| 2 | 3 | 4 | 5  TAC | 6 | 7 | 8 |
| 9 | 10  RMS | 11  WMS | 12  ROS | 13  RPG | 14 | 15 |
| 16 | 17  Board | 18  COPS | 19  PRS | 20 | 21 | 22 |
| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| 30 | 31 |

Figure 2

## Consent Agenda

**Proposal Description:**

Utilize a TAC consent agenda for the approval of all NPRRs that are approved unanimously at PRS.

**Discussion:**

A consent agenda will streamline the decision making process at TAC. A consent agenda will still allow for any TAC member to remove an item from consent for further discussion.

**Recommendation and Timing:**

TAC recommends approval.

## Encourage the Posting of Comments 7 Days In Advance of a Meeting

**Proposal Description:**

TAC should develop incentives for the encouragement of the filing of timely comments.

**Discussion:**

The filing of timely comments by all parties at least seven days in advance of TAC or a subcommittee meeting will allow other parties to better prepare for the meeting and will improve the meeting efficiency. Often times, comments are either filed within the 7 day period or are not filed at all but are discussed at the meeting by participants. The development of a set of incentives that encourage timely comments would be useful. One such example may be to allow the presentation of the comments by the filer prior to any other discussion on the issue taking place.

**Recommendation and Timing:**

TAC instructs PRS to develop of a set of alternative approaches that will encourage the timely filing of comments for consideration by TAC at a later time.

## Change the Voting Structure at WMS, ROS, and RMS to Participatory Voting

**Proposal Description:**

Change the voting structure at WMS, ROS, and RMS to the same voting structure used by PRS, Participatory Voting.

**Discussion:**

The current voting structure at WMS, ROS, and RMS utilize a representative structure where a Segment is represented by up to 4 members that are elected or appointed by the voting members of that segment. PRS and COPS utilize a participatory structure where each Segment has one Segment Vote and the representative of each Voting Entity, present at the meeting and participating in the vote, receives an equal fraction of its Segment’s Vote.

Supporters of this proposal claim that fairness in the process is improved by participatory voting.

**Recommendation and Timing:**

TAC does not recommend approval of the proposal.

Specifically TAC finds that:

1. Effectiveness The stable voting structure of the WMS, ROS and RMS has proven to be effective at producing balanced decisions to send to TAC.

2. Efficiency The consensus building process at WMS, ROS, and RMS is not unnecessarily wieldy, thanks to the limit on the number of voters. This process takes much longer and is less efficient when there is no limit.

3. Transparency: It is necessary to have participatory voting at the PRS as it is critical to have all voices heard. Different aspects of the Protocols have different effects on different individuals that are not proportionate to their participation in the market. However, this voting structure is subject to manipulation and should not be used for all the voting bodies. Any given topic can become subject to off-line campaigns that can flood a segment’s vote. There are dozens of market participants in most of ERCOT’s voting segments. Under this structure, the process of coalition building becomes more a marketing effort with more work put into building voting blocks than into building understanding of issues.

4. Fairness: A large group of very small market participants could use participatory voting to thwart the will of the overwhelming majority of a segment. That’s not fair, especially if that group does not generally attend ERCOT meetings and is not familiar with the context or history of a given issue.

## Change the voting structure at TAC to Participatory Voting

**Proposal Description:**

Change the voting structure at TAC to Participatory Voting.

**Discussion:**

The current voting structure at TAC utilizes a representative structure where a Segment is represented by up to 4 members that are elected or appointed by the voting members of that Segment. The voting structure at TAC is addressed by the bylaws.

Supporters of this proposal claim that fairness in the process is improved by participatory voting. Opponents point out that the current ERCOT bylaws already allow each Segment to decide whether it will use participatory voting for its TAC Segment and they further claim that it is unadvisable to force that voting structure on segments that do not wish to use it.

**Recommendation and Timing:**

TAC does not recommend approval of this proposal given that it is already allowed by the bylaws for each Segment to decide its own form of voting at TAC.

## Reduce the 21 Day Comment Period on Protocol Revisions

**Proposal Description:**

Protocols and Guides provide for a 21 day comment period before a Revision Request can officially be taken up by the recommending group. Reduce the comment period to 10 days to improve efficiency of the process.

**Discussion:**

Supporters argue that this timeline can be confusing for participants to determine when a Revision Request must be posted to make the next meeting. An excerpt from the Protocols follows that illustrates the complexity of the comment rules:

*21.4.3 Protocol Revision Subcommittee Review and Action*

*,,,,,*

*(3) The PRS shall consider the NPRR at its next regularly scheduled meeting after the end of the 21 day comment period, unless the 21 day comment period ends less than three Business Days prior to the next regularly scheduled PRS meeting. In that case, the NPRR will be considered at the next subsequent regularly scheduled PRS meeting. ,,,,,*

This timeline can be confusing for participants to determine when a Revision Request must be posted to make the next meeting. If a deadline is missed, it can add another month to the approval process. Additionally, we often see that comments are not filed until the end of the comment period just prior to the item being taken up in the stakeholder process or comments are filed in response to the committee recommendation.

**Recommendation:**

TAC recommends approval and requests ERCOT Staff to draft an NPRR that reflects the new timeline.

1. Also,see Structural Improvement Proposal 4.1 and 4.3 for other proposed changes to the WMS workgroups. [↑](#footnote-ref-1)