



**Date:** October 11, 2011  
**To:** Board of Directors  
**From:** John Dumas, Director, Wholesale Market Operations  
**Subject:** 2011-2012 Ancillary Services Methodology Recommendation

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** October 18, 2011

**Agenda Item No.:** 6

**Issue:**

Whether the Board should approve the proposed changes to the methodology for determining the minimum Ancillary Service requirements as presented herein to be effective December 1, 2011, and reaffirm the unchanged sections of the document until the next revision or as otherwise required.

**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 or the minimum levels of Ancillary Services required. ERCOT Staff developed proposed changes to the methodology previously approved by the ERCOT Board on September 21, 2010.

The revised methodology document, *2011-2012 ERCOT Methodologies for Determining Ancillary Service Requirements*, is attached hereto as Attachment A. On October 6, 2011, the Technical Advisory Committee (TAC) unanimously endorsed the 2011-2012 Ancillary Service methodology as recommended by ERCOT and noted that TAC will review the methodology again no later than March 2012.

Section 3.16(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 Resources excluding Controllable Load Resources, the percentage of DC Tie, and the percentage of Controllable load Resources allowed to provide Responsive Reserve Service (RRS) calculated on a monthly basis."

Section 3.16(3) of the ERCOT Protocols requires that, "The ERCOT Board shall review and approve ERCOT's methodology for determining the minimum Ancillary Service requirements and the monthly percentage of Load Resources, Controllable Load Resources and DC Ties allowed to provide RRS."

ERCOT staff respectfully recommends that the Board approve the proposed revised requirements to be effective on December 1, 2011, and reaffirm the unchanged sections of the document until the next revision or as otherwise required.

**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 changes from the 2010-2011 Methodology for Determining Ancillary Service Requirements document are primarily intended to account for the switch to the Nodal Market and to remove language that was required as a result of the period of transition between the Zonal and Nodal Markets. The changes are shown in red-line in Attachment A, and can be summarized as follows:

- The analysis for determining the monthly minimum Regulation Service requirement will consider historical Regulation Service deployments from the same month of the previous year. This had previously been removed so that deployments during the Zonal Market were not used in determining Nodal requirements.
- The monthly minimum Regulation Service requirements will no longer have a floor equal to one half of the requirement from the previous year. This was added for the period of transition between the Zonal and Nodal Markets and is no longer applicable.
- The wind and load forecast data used in the analysis for determining the monthly Non-Spin Reserve Service requirements will be taken from a midnight snapshot as oppose to a snapshot from 16:00 in the Day Ahead.
- Zonal Market terminology and references to the Nodal Market transition have been removed.

**Alternatives:**

1. Approve ERCOT Staff's recommendation on the 2011-2012 Ancillary Services Methodology with the proposed changes to be effective December 1, 2011, as endorsed by TAC, and reaffirm the unchanged sections of the documents until the next revision;
2. Reject the recommendation, leaving the current methodology unchanged; or
3. Remand to ERCOT staff with instructions.

**Conclusion/Recommendation:**

ERCOT staff respectfully recommends that the Board approve the proposed changes to the methodology for determining Ancillary Service Requirements as presented herein to be effective December 1, 2011, as endorsed by TAC, and reaffirm the unchanged sections of the document until the next revision or as otherwise required.



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

WHEREAS, after due consideration of the alternatives, 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, at least on an annual basis, 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 ERCOT staff to change the methodology of determining Ancillary Service Requirements as reflected in the *2011-2012 ERCOT Methodologies for Determining Ancillary Service Requirements*, which is attached hereto as Attachment A, to be effective December 1, 2011, as endorsed by the Technical Advisory Committee (TAC), and to reaffirm the unchanged sections of such document until the next revision or as otherwise required.

NOW, THEREFORE, BE IT RESOLVED, that the *2011-2012 ERCOT Methodologies for Determining Ancillary Service Requirements*, which is attached hereto as Attachment A, is hereby authorized and approved in each and every respect to be accepted by ERCOT as the methodology for determining Ancillary Service, to be effective December 1, 2011, and the unchanged sections of such Methodologies are reaffirmed until the next revision or as otherwise required.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its October 18, 2011 meeting, the ERCOT Board passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of October, 2011.

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Vickie G. Leady  
Assistant Corporate Secretary