



To: Board of Directors
From: Kenan Ogelman, Vice-Chair of the Technical Advisory Committee (TAC)
Date: December 5, 2011
Re: Informational Material to Support Part Two of the Board Directive to the Holistic Approach to Congestion Irresolvable by Security Constrained Economic Dispatch (SCED)

On May 17, 2011, the ERCOT Board revised the ERCOT Business Practice, Setting the Shadow Price Caps and Power Balance Penalties in Security Constrained Economic Dispatch (SCED), as a result ERCOT analysis after the number of hours in which the Valley import limit was exceeded resulting in the constraint reaching the Shadow Price cap of \$5000. The Board also directed TAC to report back with a recommendation for a holistic methodology for setting appropriate Shadow Price caps for constraints not resolvable by SCED and a recommendation for addressing gaps between operations and planning processes to be able to identify constraints not resolvable by SCED.

TAC assigned the topic of addressing gaps between operations and planning processes to the Reliability and Operations Subcommittee (ROS). Subsequently, ROS investigated the potential reliability implications of SCED irresolvable constraints over the course of several meetings of the Planning Working Group (PLWG) and ROS, including one ROS meeting on October 21, 2011 devoted solely to this subject. ROS specifically considered whether changes in ERCOT planning or operating processes should be made as a result of the occurrence of SCED irresolvable constraints.

Following the review, on November 10, 2011 ROS passed a recommendation which:

- Noted planning is a forward-looking process, and that there will be differences between forecasted conditions and actual conditions.
- Highlighted the fact that such differences occur is not due to gaps, but is due to uncertainty about future operating conditions inherent in the planning process.
- Suggested the ERCOT planning criteria has been used to achieve a desirable balance between ensuring reliability without causing undue cost or landowner impacts that could result from the over-building of transmission.
- Emphasized the importance of transmission planning processes and criteria continuing to evolve.
- Did not recommend additional changes in ERCOT planning or operating criteria based upon a review of SCED irresolvable constraints at this time.

The ROS recommendation passed with three opposing votes from the Investor Owned Utility (IOU), Municipal and Cooperative Market Segments and with one abstention from the IOU Market Segment. It is included as Attachment A.

ROS subsequently formed a task force to continue examination and follow action items.

On December 1, 2011, TAC reviewed the ROS recommendation and agreed that the ROS recommendation should be presented to the Board to fulfill the Board directive for TAC to address the gaps between operations and planning processes.