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# TAC Update

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**ERCOT Public**

**July 17, 2012**

# Summary of TAC Update

## **Revision Requests Recommended for Approval by TAC - Unopposed (Vote):**

- NPRR436, Clarify the Use of the Defined Term Season and Its Derivatives
- NPRR438, Additional Minimum Counter-Party Qualification Requirements, Including Risk Management Capability Requirements
- NPRR443, Removal of Switchable Generation Resource Plans from Protected Information
- NPRR445, DC Tie Load Zone Price Clarification
- NPRR446, Correction of Non-Spin Ancillary Service Schedule Telemetry for Standing Non-Spin Deployment
- NPRR447, Remove Day- Ahead QSE Requested Decommit Language
- NPRR452, Clarification of Reactive Power Requirements
- NPRR454, Removal of Unfunded Project List Language
- NPRR455, CRR Shift Factors Report
- NPRR456, Clarification of Definition of Electrically Similar Settlement Points and Heuristic Pricing Posting
- NPRR457, Daily Update of New ESI IDs and AMS Meter and Switch Hold Indicators Changes
- NPRR458, Establishment of ERCOT's Central Counterparty Role
- NPRR462, Removal of Consumer Benefit Test from the ERCOT Planning Criteria
- NPRR468, Alignment of System-Wide Offer Cap and Scarcity Pricing Mechanism Language with PUCT Substantive Rules - URGENT
- PGRR017, New Planning Guide Section 6.1, Steady-State Model Development
- PGRR019, New Section 1, Overview

# Summary of TAC Update

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## **Revision Requests Recommended for Approval by TAC – (With Opposing Votes) (Vote):**

- NPPRR416, Removal of the RUC Clawback Charge for Resources Other than RMR Units
- NPPRR459, Better Matching Forward Collateralization with Forward Risk in the Real-Time Market – URGENT
- NPPRR469, Modification to CCTs - URGENT

## **Protocol Section 4.4.10, Credit Requirement for DAM Bids and Offers, Required Annual Review of DAM Credit Parameters (Vote)**

## **Methodology for Setting Maximum Shadow Prices for Network and Power Balance Constraints (Vote)**

## **Guide Revisions Approved by TAC**

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**Revision Requests Recommended  
for Approval by TAC  
(Unopposed)**

# *NPRR436, Clarify the Use of the Defined Term Season and Its Derivatives*

<b>Purpose</b> (OWG)	This NPRR deletes the reference to the Operating Guides and capitalizes uses of the word “Season” and its derivatives where applicable according to the definition in Section 2.1, Definitions.
<b>TAC Vote</b>	On 6/28/12, TAC recommended approval of NPRR436 as recommended by PRS in the 6/21/12 PRS Report.
<b>ERCOT Opinion</b>	ERCOT supports approval of NPRR436 as it deletes an obsolete reference and corrects the use of the defined term “Season”.
<b>Effective Date/Priority</b>	August 1, 2012
<b>ERCOT Impact</b>	No impacts.
<b>Business Case Highlights</b>	To remove ambiguity between the starting and ending dates of the Seasons in the Operating Guides and the Protocols and standardizes the timeframes of various testing and test result submission dates found throughout the Protocols.

*NPRR438, Additional Minimum Counter-Party Qualification Requirements, Including Risk Management Capability Requirements*

<b>Purpose</b> (ERCOT)	This NPRR establishes minimum requirements for Counter-Parties to participate in the ERCOT markets.
<b>TAC Vote</b>	On 6/28/12, TAC recommended approval of NPRR438 as recommended by PRS in the 6/21/12 PRS Report.
<b>ERCOT Opinion</b>	ERCOT supports the approval of NPRR438.
<b>Effective Date/Priority</b>	Upon System Implementation of PR014_01, Implementation of NPRR347 and NPRR400
<b>ERCOT Impact</b>	Less than \$5k (ERCOT systems); estimated ongoing impact of one FTE in credit department to oversee the verification process (\$110k-\$130k O&M); impacts to CMM; ERCOT business functions will be updated; no impacts to ERCOT grid operations and practices.
<b>Business Case Highlights</b>	Reduce risk in the ERCOT market and satisfy expected CEA exemption requirements; will also make the ERCOT market more consistent with other ISO requirements.

# *NPRR443, Removal of Switchable Generation Resource Plans from Protected Information*

<b>Purpose</b> (ERCOT)	This NPRR will remove the unavailability plans for Switchable Generation from the list of items considered to be Protected Information under the Protocols. This information will be reflected in the Annual Planning Models.
<b>TAC Vote</b>	On 6/7/12, TAC unanimously voted to recommend approval of NPRR443 as recommended by PRS in the 5/17/12 PRS Report.
<b>ERCOT Opinion</b>	ERCOT supports the approval of NPRR443.
<b>Effective Date/Priority</b>	August 1, 2012
<b>ERCOT Impact</b>	No impacts.
<b>Business Case Highlights</b>	ERCOT system will be more reliable; cost of congestion-reducing transmission upgrade projects will be appropriately lowered; could save a substantial amount in transmission cost of service.

## *NPRR445, DC Tie Load Zone Price Clarification*

<b>Purpose</b> (ERCOT)	This NPRR clarifies that the Real-Time Settlement Point Price at a Direct Current Tie (DC Tie) Load Zone is not weighted by the State Estimator Load value, which includes inadvertent energy.
<b>TAC Vote</b>	On 6/7/12, TAC unanimously voted to recommend approval of NPRR445 as recommended by PRS in the 4/19/12 PRS Report with an effective date of 8/1/12.
<b>ERCOT Opinion</b>	ERCOT supports the approval of NPRR445.
<b>Effective Date/Priority</b>	August 1, 2012
<b>ERCOT Impact</b>	No impacts.
<b>Business Case Highlights</b>	Reflects current ERCOT system implementation.



# *NPRR446, Correction of Non-Spin Ancillary Service Schedule Telemetry for Standing Non-Spin Deployment*

<b>Purpose</b> (ERCOT)	This NPRR corrects the language that describes how Qualified Scheduling Entities (QSEs) will update the Non-Spinning Reserve (Non-Spin) Ancillary Service Schedule value in telemetry as introduced in NPRR426, Standing Non-Spin Deployment in the Operating Hour for Generation Resources Providing On-Line Non-Spin, which was approved by the ERCOT Board on December 12, 2011.
<b>TAC Vote</b>	On 6/7/12, TAC unanimously voted to recommend approval of NPRR446 as recommended by PRS in the 4/19/12 PRS Report.
<b>ERCOT Opinion</b>	ERCOT supports the approval of NPRR446.
<b>Effective Date/Priority</b>	August 1, 2012
<b>ERCOT Impact</b>	No impacts.
<b>Business Case Highlights</b>	Aligns Protocol language with current practices.

# *NPRR447, Remove Day- Ahead QSE Requested Decommit Language*

<b>Purpose</b> (ERCOT)	This Nodal Protocol Revision Request (NPRR) removes eligibility rule language from Section 6.4.6 which conflicts with Section 4.6.2.3, Day-Ahead Make-Whole Settlements; thereby allowing the eligibility rules in Section 4.6.2.3 to determine appropriate startup and energy compensation.
<b>TAC Vote</b>	On 6/7/12, TAC unanimously voted to recommend approval of NPRR447 as recommended by PRS in the 4/19/12 PRS Report with an effective date of 8/1/12.
<b>ERCOT Opinion</b>	ERCOT supports the approval of NPRR447.
<b>Effective Date/Priority</b>	August 1, 2012
<b>ERCOT Impact</b>	Gained efficiencies of one-half hour per day in Settlements and Billing department; ERCOT business functions will be updated.
<b>Business Case Highlights</b>	Removes one manual Settlement process per day; reduces risk of overpayment to Resources.

## *NPRR452, Clarification of Reactive Power Requirements*

<b>Purpose</b> (NPRR366 Workshop)	This NPRR clarifies the Reactive Power requirement for Generation Resources required to provide Voltage Support Service (VSS).
<b>TAC Vote</b>	On 6/7/12, TAC unanimously voted to recommend approval of NPRR452 as recommended by PRS in the 5/17/12 PRS Report and as revised by TAC.
<b>ERCOT Opinion</b>	ERCOT supports approval of NPRR452 as it provides clarifications on requirements to provide Voltage Support Services.
<b>Effective Date/Priority</b>	August 1, 2012
<b>ERCOT Impact</b>	No impacts.
<b>Business Case Highlights</b>	Provides clarification for applicable Generation Resources and Transmission Service Providers (TSPs).

## *NPRR454, Removal of Unfunded Project List Language*

<b>Purpose</b> (ERCOT)	This NPRR removes language regarding the Unfunded Project List to bring the Protocols in line with the current planning and budgeting process for the ERCOT project portfolio.
<b>TAC Vote</b>	On 6/7/12, TAC unanimously voted to recommend approval of NPRR454 as recommended by PRS in the 5/17/12 PRS Report.
<b>ERCOT Opinion</b>	ERCOT supports the approval of NPRR454.
<b>Effective Date/Priority</b>	August 1, 2012
<b>ERCOT Impact</b>	No impacts.
<b>Business Case Highlights</b>	Alignment of Protocols with current processes; provides a better tool for managing ERCOT's project budget across multiple years.

## *NPRR455, CRR Shift Factors Report*

<b>Purpose</b> (MISUG)	This NPRR creates a report on MIS Secure Area that provides Shift Factors for any binding constraints in a CRR Auction.
<b>TAC Vote</b>	On 6/28/12, TAC unanimously voted to recommend approval of NPRR455 as recommended by PRS in the 6/21/12 PRS Report.
<b>ERCOT Opinion</b>	ERCOT supports approval of NPRR455 as it centralizes the calculation effort at ERCOT; however, since the input data is currently available for Market Participant calculation, and given the limited funding available for projects, ERCOT recommends a priority of 2013 or later. If the opportunity arises, ERCOT could bundle this with related changes to reduce the cost to implement.
<b>Effective Date/Priority</b>	Upon System Implementation – Priority 2014; Rank 900
<b>ERCOT Impact</b>	\$245k - \$270k; impacts to CRR, ISM, and MIS; ERCOT business functions will be updated.
<b>Business Case Highlights</b>	Provides ability to validate CRR Auction prices based on the binding constraints; Greater transparency of pricing information to the public; Provides additional means of identifying potential errors within the CRR Auction power flow solution; helps to detect network model errors; Increases the accuracy of constraint price information; Improved CRR Auction revenue adequacy benefits all Market Segments; Improved risk management and better risk controls.

# *NPRR456, Clarification of Definition of Electrically Similar Settlement Points and Heuristic Pricing Posting*

<b>Purpose</b> (ERCOT)	This NPRR removes the rating requirement in the current definition for Electrically Similar Settlement Points and introduces a daily public report to post the heuristic pricing associations for Day-Ahead Market (DAM) and Real-Time Market (RTM) price calculations.
<b>TAC Vote</b>	On 6/7/12, TAC unanimously voted to recommend approval of NPRR456 as recommended by PRS in the 5/17/12 PRS Report.
<b>ERCOT Opinion</b>	ERCOT supports the approval of NPRR456.
<b>Effective Date/Priority</b>	Upon System Implementation - Priority 2012; Rank 740
<b>ERCOT Impact</b>	\$30k - \$35k; impacts to Market Management System (MMS), Market Information System (MIS), and ERCOT.com; ERCOT business functions will be updated.
<b>Business Case Highlights</b>	More realistic representation of Electrically Similar Settlement Points; removal of artificial congestion; cost savings on CRR payout to electrically close Settlement Points; price transparency; lower uplift costs to Demand side.

## *NPRR457, Daily Update of New ESI IDs and AMS Meter and Switch Hold Indicators Changes*

<b>Purpose</b> (MISUG)	<p>This NPRR provides for the addition of ESI ID attribute information for conditions in which the transaction type of 814_20, ESI ID Maintenance Request, is submitted that creates an ESI ID or makes changes to an existing ESI ID's Advanced Metering System (AMS) or switch hold indicator flags utilizing the create or maintain option when submitting the 814_20 transaction.</p>
<b>TAC Vote</b>	<p>On 6/7/12, TAC unanimously voted to recommend approval of NPRR457 as recommended by PRS in the 5/17/12 PRS Report.</p>
<b>ERCOT Opinion</b>	<p>ERCOT supports approval of NPRR457 as it facilitates quicker information sharing; however, since data is currently available on a weekly basis, and given the limited funding available for projects, ERCOT recommends a priority of 2013 or later. If the opportunity arises, ERCOT could bundle this with related changes to reduce the cost to implement.</p>
<b>Effective Date/Priority</b>	<p>Upon System Implementation - Priority 2013; Rank 730</p>
<b>ERCOT Impact</b>	<p>\$55k - \$65k; impacts to MIS and Information System Master (ISM)</p>
<b>Business Case Highlights</b>	<p>Data transparency; timely visibility to transactional information; reduction in cost associated with individual Market Participants queries; provides Market Participants with more up to date information.</p>

# *NPRR458, Establishment of ERCOT's Central Counterparty Role*

<b>Purpose</b> (ERCOT)	This NPRR establishes ERCOT as the central counterparty to all transactions in the ERCOT market, except those involving bilateral trades or self-arranged services.
<b>TAC Vote</b>	On 6/28/12, TAC recommended approval of NPRR458 as recommended by PRS in the 6/21/12 PRS Report.
<b>ERCOT Opinion</b>	ERCOT supports the approval of NPRR458.
<b>Effective Date/Priority</b>	August 1, 2012
<b>ERCOT Impact</b>	No impacts.
<b>Business Case Highlights</b>	Enhance ERCOT's ability to net any amount owed to a Market Participant with the amount of the Market Participant's debt to ERCOT, thus reducing default risk.



## *NPRR462, Removal of Consumer Benefit Test from the ERCOT Planning Criteria*

<b>Purpose</b> (ERCOT)	This NPRR removes the consumer benefit test from the ERCOT planning criteria consistent with the Public Utility Commission of Texas (PUCT) Project 39537, Rulemaking to Implement HB 971, Relating to Economic Criteria for a Certificate of Convenience and Necessity for an Electric Transmission Project.
<b>TAC Vote</b>	On 6/28/12, TAC recommended approval of NPRR462 as recommended by PRS in the 6/21/12 PRS Report.
<b>ERCOT Opinion</b>	ERCOT supports the approval of NPRR462.
<b>Effective Date/Priority</b>	August 1, 2012
<b>ERCOT Impact</b>	ERCOT business functions will be updated.
<b>Business Case Highlights</b>	Planning criteria will be consistent with the PUCT rulemaking in Project 39537.

*NPRR468, Alignment of System-Wide Offer Cap and Scarcity Pricing Mechanism Language with PUCT Substantive Rules - URGENT*

<p><b>Purpose</b> (ERCOT)</p>	<p>This NPRR removes the specifics for determining the System-Wide Offer Cap (SWCAP) and operating the scarcity pricing mechanism language from the Protocols. The SWCAP and scarcity pricing mechanism language will be incorporated into the proposed Other Binding Document (OBD).</p>
<p><b>TAC Vote</b></p>	<p>On 6/28/12, TAC unanimously voted to recommend approval of NPRR468 as recommended by PRS in the 6/21/12 PRS Report and as amended by the 6/27/12 ERCOT comments and the Other Binding Document, "System-Wide Offer Cap and Scarcity Pricing Mechanism Methodology" as recommended by PRS in the 6/21/12 PRS Report.</p>
<p><b>ERCOT Opinion</b></p>	<p>ERCOT supports the approval of NPRR468.</p>
<p><b>Effective Date/Priority</b></p>	<p>August 1, 2012</p>
<p><b>ERCOT Impact</b></p>	<p>No impacts.</p>
<p><b>Business Case Highlights</b></p>	<p>Incorporating specifics for determining the SWCAP and scarcity pricing mechanism into an Other Binding Document allows for language to be updated in a timelier manner.</p>

# *PGRR017, New Planning Guide Section 6.1, Steady-State Model Development*

<b>Purpose</b> (SSWG)	This PGRR creates a new section in the Planning Guide to establish a process for creating and maintaining planning models referred to as steady-state base cases.
<b>TAC Vote</b>	On 6/7/12, TAC unanimously voted to recommend approval of PGRR017 as recommended by ROS in the 4/12/12 ROS Report with an effective date of August 1, 2012.
<b>ERCOT Opinion</b>	ERCOT supports approval of PGRR017 as it promotes transparency of planning processes.
<b>Effective Date/Priority</b>	August 1, 2012
<b>ERCOT Impact</b>	No impacts.
<b>Business Case Highlights</b>	<ul style="list-style-type: none"><li>• Provides transparency and clarifies process used to build steady-state base cases.</li><li>• Provides information to Market Participants about where to find additional details relating to the creation and maintenance of computer databases and models necessary to adequately model the ERCOT Transmission Grid for transmission planning purposes.</li></ul>

## *PGRR019, New Section 1, Overview.*

<b>Purpose</b> (PLWG)	This PGRR proposes new sections to provide an overview and purpose of the Planning Guide.
<b>TAC Vote</b>	On 6/28/12, TAC unanimously voted to recommend approval of PGRR019 as recommended by ROS in the 6/14/12 ROS Report with an effective date of August 1, 2012.
<b>ERCOT Opinion</b>	ERCOT supports approval of PGRR019 as it defines the purpose of the Planning Guide consistent with the other ERCOT Market Guides.
<b>Effective Date/Priority</b>	August 1, 2012.
<b>ERCOT Impact</b>	No impacts.
<b>Business Case Highlights</b>	Improves transparency by providing Market Participants with an overview of the planning processes in the ERCOT Region.

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**Revision Requests Recommended  
for Approval by TAC  
(With Opposing Vote(s))**

## *NPRR416, Creation of the RUC Resource Buyback Provision*

<b>Purpose</b> (Exelon/Calpine)	<p>This NPRR adds a buyback provision for Resources committed by ERCOT's RUC process that allows all RUC Clawback Charges associated with the RUC commitment to be waived and RUC Make-Whole Payments to be forfeited.</p>
<b>TAC Vote</b>	<p>On 6/28/12, TAC voted to recommend approval of NPRR416 as recommended by PRS in the 6/21/12 PRS Report and as revised by TAC. There was one opposing vote from the Consumer Market Segment and five abstentions from the Independent Retail Electric Provider (IREP) (2) and Consumer (3) Market Segments.</p>
<b>ERCOT Opinion</b>	<p>ERCOT supports approval of NPRR416 as it helps Resource owners manage financial risk.</p>
<b>Effective Date/Priority</b>	<p>Upon System Implementation – Priority 2012; Rank 365</p>
<b>ERCOT Impact</b>	<p>\$125k - \$250k; no impacts to ERCOT staffing; impacts to MMS User Interface, EMS, MMS, S&amp;B, CSI, EIS, and EIP; ERCOT business functions will be updated</p>
<b>Business Case Highlights</b>	<p>Increased efficiency in RUC selection process and lowering RUC uplift costs; economic efficiencies for both the demand and supply sides of the market; removes unnecessary value transfers where more than adequate incentives already exist to incent the desired bidding and offer behaviors.</p>

## *NPRR459, Better Matching Forward Collateralization with Forward Risk in the Real-Time Market - URGENT*

<b>Purpose</b> (NRG)	<p>In order to help manage the seasonal nature of the ERCOT market, this NPRR adds a seasonal adjustment factor to raise and lower collateral requirements throughout the year. In addition, this NPRR also recommends that ERCOT only review the last 40 days of history instead of the last 60 days when determining credit requirements.</p>
<b>TAC Vote</b>	<p>On 7/9/12, TAC recommended approval of NPRR459 as amended by the 7/9/12 ERCOT comments and as revised by TAC. There was one opposing vote from the Cooperative Market Segment and two abstentions from the Consumer and Municipal Market Segments.</p>
<b>ERCOT Opinion</b>	<p>ERCOT supports NPRR459 as it better matches short term collateral with short term risks.</p>
<b>Effective Date/Priority</b>	<p>August 1, 2012</p>
<b>ERCOT Impact</b>	<p>Minor configuration changes to ERCOT Credit Management Module (CMM); ERCOT business functions will be updated</p>
<b>Business Case Highlights</b>	<p>Avoid defaults due to high prices, but reduce the cost of collateral posting for all Market Participants on an annual basis; increase in collateral requirements could reduce the cost or occurrence of a default from Real-Time market activity.</p>

## *NPRR469, Modifications to CCTs - URGENT*

<b>Purpose</b> (Edison Mission)	This NPRR proposes changes to the Constraint Competitiveness Tests (CCTs) to resolve the issues with the current design.
<b>TAC Vote</b>	On 6/28/12, TAC voted via roll call vote to recommend approval of NPRR469 as recommended by PRS in the 6/21/12 PRS Report and as revised by TAC with a recommended priority of 2012 and rank of 760. There were two opposing votes from the Independent Generator Market Segment and four abstentions from the Consumer, IREP and IPM (2) Market Segments.
<b>ERCOT Opinion</b>	ERCOT supports approval of NPRR469 as it improves the process for determining Competitive Constraints and non-Competitive Constraints.
<b>Effective Date/Priority</b>	Upon system implementation for all language except the proposed language in Sections 2.1, 2.2, and paragraphs (1)-(3) of Section 3.19. Priority 2012; Rank 760
<b>ERCOT Impact</b>	\$50k - \$80k (system implementation); impacts to MMS and MIS; ERCOT will update its business practices.
<b>Business Case Highlights</b>	Improve the current process by providing a more robust analysis and a more defensible outcome; prevent market power and market abuse.



## DAM Credit Procedures

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- Protocol Section 4.4.10, Credit Requirement for DAM Bids and Offers, requires ERCOT Board annual review of the “Procedures for Setting Nodal Day-Ahead Market Credit Requirement Parameters”.
- The Board last considered the DAM credit procedures at its July 19, 2011 Board meeting.
- On June 28, 2012, TAC unanimously voted to endorse the existing “Procedures for Setting Nodal Day-Ahead Market Credit Requirement Parameters” as recommended by the Credit Work Group and the Wholesale Market Subcommittee.

## Methodology for Setting Maximum Shadow Prices for Network and Power Balance Constraints

- Paragraph (4) of Protocol Section 6.5.7.1.11, Transmission Network and Power Balance Constraint Management, requires TAC review and Board approval of the Methodology for Setting Maximum Shadow Prices for Network and Power Balance Constraints.
- On June 28, 2012, TAC unanimously voted to recommend revising the Methodology for Setting Maximum Shadow Prices for Network and Power Balance Constraints.
- Revisions were made to revise the Power Balance Penalty Curve consistent with discussion at the June 28<sup>th</sup> Public Utility Commission of Texas Open Meeting as well as some administrative edits.

## Notice of Guide Revisions Approved by TAC – June 28th

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### **NOGRR089, Clarification of Responsibilities for Black Start Resources and QSEs.**

This NOGRR clarifies the responsibilities of the Black Start Resource and the Qualified Scheduling Entity (QSE) representing the Black Start Resource. It also clarifies language related to the Transmission Operator's (TO's) local Black Start plans and the QSE's Black Start procedures.

### **RMGRR109, Updates to the Process for Removal of a Switch Hold for Premises with a Continuous Service Agreement.**

This RMGRR updates the process for removal of a switch hold on a Premise with an active Continuous Service Agreement (CSA) to address instances in which the CSA landlord needs to submit a move in for the Premise..