***Questions-Comments***

***ERCOT Governing Document for Fast-Responding Regulation Service Pilot Project***

R. Jones 24 August, 2012

1. Within ***2. Purpose,*** the first bullet indicates that the pilot test is to “*Determine whether FRRS can improve ERCOT’s ability to arrest frequency decay during unit trips*; “. The ability to arrest frequency decay and limit the depth of the frequency’s nadir point is commonly referred to as Primary Frequency Response (PFR). PFR is triggered by frequency alone and consists of generating units’ speed governor response coupled with loads’ natural frequency dampening effect. Secondary frequency response (SFR) consists of the injection of energy into the grid and is created by control signals such as Automatic Generation Control (AGC) pulses or setpoints to generating unit controllers.

Question: Since current Regulation UP providers are already obligated to provide PFR and SFR, how is this service different from the existing Regulation Service and why aren’t these fast providers simply included as qualified providers and allowed to offer into the existing Regulation UP Service? Follow-Up Question: If the pilot’s construct involves paying faster resources for PFR, then how can the contribution of PFR by all existing resources not have value? (Note: Existing resources are obligated to provide PFR at no cost. This proposed new service would be the first time PFR is paid for by loads but it would only be paid to a subset of resources.)

1. Presuming success of the pilot project, QSEs managing FRRS resources will become obligated under Protocols 8.1.1.2.1 (2) to provide constant frequency control to maintain the eligibility of their resources to provide Regulation Service. Question: Will these portfolios be tested including the FRRS resources to ensure that this obligation can be fulfilled?
2. Within ***2. Purpose***, the fifth bullet indicates that “pay-for-performance” methods will be evaluated by ERCOT. The current ERCOT markets’ design lean heavily on competition and price formation resulting from the natural forces of the markets’ economics. The Protocols crafted by stakeholders include the settlements treatment for services, yet this governing document appears to indicate that ERCOT would “…determine the appropriate settlement treatment for Resources providing FRRS,….” Question: As part of this pilot and the resulting NPRR, will ERCOT be assigning some level of payment for this service outside of the normal price formation processes currently used in the market? Follow-Up Question: Please explain what is involved in “pay-for-performance” for fast response regulation service in other markets and FERC Order 755’s applicability to our ancillary service markets.
3. Question: How will ERCOT provide transparency to the market on the data and results of this pilot project? (Will the pilot’s data be posted on the public portion of the MIS?)
4. In ***11. Evaluation and Termination of Pilot Project***, the first paragraph implies that ERCOT would request that the Board of Directors initiate a Board Priority NPRR in an effort to implement a permanent ancillary service for FRRS. Question: If requesting Board Priority is not a part of the PUCT Substantive Rule governing pilot projects, why is ERCOT staff proposing this special treatment of an NPRR? This same paragraph also states that if ERCOT sees substantial operational benefit to this service it will propose it to the Board. Question: This service was originally vetted with stakeholders as having the potential of reducing the amount of Regulation Service and therefore reducing Regulation costs borne by loads. Will a cost-benefit study be done on this service or is the focus shifted to operational benefits alone?
5. Within ***12. Construction***, ERCOT will not require FRRS participants or QSEs representing them to comply with any requirements relative to ancillary services (including Regulation Service). Question: Without requiring pilot participants to adhere to the control performance requirements for providing Regulation Service during the pilot, how can we be sure that they will remain qualified to provide the service after the pilot when they will be required to comply with those requirements?
6. Within ***12. Construction***, the language in the second paragraph attempts to make the Protocols, Operating Guides and Other Binding Documents subordinate to the document. Many, if not all, market participants consider the Protocols to be superior to all other ERCOT documents where conflicts in meaning arise. Question/s: Is it ERCOT’s intent that this and all future pilot project documents will be superior to the Protocols relative to the pilots even though multiple parties are subject to the Protocols and not just the pilot participants? Does this document signal the beginning of a new category of Other Binding Documents entitled “Governing Documents”, which will all be considered superior to the Protocols for the purposes of their respective pilot projects? What enables this document to be superior to the Protocols without first being approved as a document for addition to the Other Binding Documents listing?