



To: Board of Directors
From: Kristi Hobbs, Manager of Market Rules & Stakeholder Support
Date: December 2, 2011
Re: Summary of Materials for Agenda Item 2c, Holistic Approach to Congestion Irresolvable by Security Constrained Economic Dispatch (SCED), for December 12-13, 2011 Board of Directors (Board) Meeting

As you may recall, the Board will be meeting, beginning on Monday, December 12, 2011, to consider several Technical Advisory Committee (TAC) agenda items, including the Holistic Approach to Congestion Irresolvable by SCED agenda item, which was deferred from the October 18, 2011 Board meeting.

Although the agenda for the December 12-13, 2011 Board meeting and the related materials will not be publicly posted until Monday, December 5, 2011, we are providing the following summary of the materials, received by ERCOT to date, in relation to Agenda Item 2c, Holistic Approach to Congestion Irresolvable by SCED, for the December 12-13, 2011 Board meeting, in an effort to assist Board members with preparation for this voting item:

- **TAC Recommendation** – On October 11, 2011, TAC held a special meeting to address the holistic approach to congestion irresolvable by SCED. TAC voted to affirm the holistic approach to congestion irresolvable by SCED initially approved at the August 4, 2011 TAC and to recommend Board approval of the ERCOT Business Practice Manual, Setting the Shadow Price Caps and Power Balance Penalties in Security Constrained Economic Dispatch, as revised by the October 11, 2011 TAC with an effective date of November 1, 2011. TAC has not taken any subsequent action on this item since its October 11, 2011 meeting. *The following items are included as part of the TAC recommendation to the Board: Item 2c(1), the TAC memo to the October Board and Item 2c(2), Attachment A, ERCOT Business Practice Setting the Shadow Price Caps and Power Balance Penalties in Security Constrained Economic Dispatch, Version 3.0.*
- **STEC Appeal** – On October 12, 2011, ERCOT received notice of the South Texas Electric Cooperative, Inc. (STEC) appeal of the October 11, 2011 TAC action specifically related to Section 3.6, Methodology for Setting Transmission Shadow Price Caps for Irresolvable Non-Competitive Constraints in SCED. *The following items are included as part of the STEC appeal to the Board: Item 2c(3), original STEC appeal letter and Item 2c(4), STEC position statement.*
- **STEC Analysis** – On September 1, 2011, STEC provided to TAC an analysis of how it interpreted the TAC recommendation on the holistic approach to congestion irresolvable by SCED would affect the South Load Zone. Subsequently, on September 20, 2011, the ERCOT Board voted to remand the Holistic Solution to Congestion Irresolvable by SCED back to TAC. One of the stated purposes of the remand was to allow TAC to review and comment on the presentation STEC had made at the September 1, 2011 TAC meeting. The Board also requested ERCOT and the Independent Market Monitor (IMM) to review the analysis. *The following items are included for the Board:*
 - **Spreadsheet** – *Item 2c(5), STEC analysis*
 - **ERCOT Slides** – *Item 2c(6), ERCOT review of STEC Data*



- IMM Memorandum – *Item 2c(7), IMM input on STEC analysis and holistic approach*
- Position Statements – Pursuant to Section 8, Appeal Procedures, of the Board Policies and Procedures, timely submitted appeals shall be heard at the next regular Board meeting that is at least ten Business Days after the date of the appeal. As such, the STEC appeal is slated for consideration at the December 12, 2011 Board meeting. Participants were given a deadline of November 30, 2011 to provide position statements. *Below is a summary of the timely filed position statements included as Items 2c(8) through 2c(12):*
 - Calpine Corporation – Supported October 11, 2011 TAC recommendation and encouraged rejection of STEC appeal.
 - Direct Energy – Supported October 11, 2011 TAC recommendation and encouraged rejection of STEC appeal.
 - EDF Trading – Offered comments and slides challenging the congestion costs presented by STEC to the September 1, 2011.
 - NRG Texas – Supported October 11, 2011 TAC recommendation.
- Presentations – Two presentations were filed to support discussion at the December 12, 2011 meeting. *Below is a summary of the filed presentations included as Items 2c(13) and 2c(14):*
 - TAC Advocate – The TAC Advocate, Read Comstock of Direct Energy, provided a presentation to explain the TAC recommendation.
 - STEC – STEC provided a presentation to support their appeal of the TAC recommendation.
- Effective Date – In October, TAC recommended an effective date of November 1, 2011 for the revised business practice manual. The Board will need to consider a revised effective date given the December Board consideration of the topic.

Please note that the Board will be receiving these meeting materials both electronically now and with the Board Packet which will be issued on December 5, 2011.