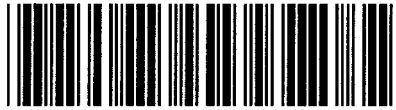




Control Number: 24770



Item Number: 173

Addendum StartPage: 0

**DOCKET NO. 24770**

**REPORT OF THE ELECTRIC  
RELIABILITY COUNCIL OF TEXAS  
(ERCOT) TO THE PUCT REGARDING  
IMPLEMENTATION OF THE ERCOT  
PROTOCOLS**

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**COMMISSION STAFF'S RESPONSE TO ORDER NO. 17  
CONCERNING PROCEDURAL SCHEDULE**

Order No. 17 provides that:

[T]he parties shall file a proposed procedural schedule to accommodate identification and consideration of issues that would be involved in the implementation of the Competitive Solution Method, including submission of proposed ERCOT Protocol revisions, identification of ERCOT system changes required, estimates of the cost and time required to implement the Competitive Solution Method, and any other issues relevant to the Commission's evaluation of the Competitive Solution Method....

Staff solicited input from the parties in preparing this response, and proposes the following procedural schedule with respect to application of the Competitive Solution Method (CSM) to the daily ancillary capacity services,<sup>1</sup> which was addressed in Staff's report, Application of Competitive Solution Method to Data from ERCOT Ancillary Capacity Services, filed on October 11, 2002:

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<sup>1</sup> Regulation down service, regulation up service, responsive reserve service, non-spinning reserve service, and replacement reserve service.

January 29, 2003	After working with ERCOT staff, Staff files a more detailed description of CSM, in order that ERCOT staff can perform a system impact analysis and high-level cost and schedule estimates. A draft of the description will be provided to the parties prior to filing, so that parties can ask clarifying questions and Staff can receive input from the parties prior to finalizing the description.
February 28, 2003	ERCOT files system impact analysis and high-level cost and schedule estimates.
March 10, 2003	Comments on the more detailed description of CSM filed on January 29, 2003, and on ERCOT's system impact analysis and high-level cost and schedule estimates.
March 17, 2003	Reply comments.

Upon the issuance of an order directing the implementation of CSM to the ancillary capacity services, Staff estimates that Protocol revisions could be drafted and processed through the ERCOT Protocol revision process within four months, assuming that the Commission orders ERCOT to give the Protocol revisions a high priority.

Implementation of CSM to balancing energy service (BES) should proceed on a separate track, for three reasons. First, implementation of CSM to BES is dependent upon the congestion management method adopted by the Commission in Project No. 26376, *Rulemaking Proceeding on Wholesale Market Design Issues in the Electric Reliability Council of Texas*. If the Commission orders ERCOT to change from the current zonal congestion management model to a nodal congestion management model, then Staff believes that application of CSM to energy service would not be feasible, and the Commission would need to consider other market failure mitigation measures for energy service, for example the New York Independent System

Operator's Automated Mitigation Procedure.<sup>2</sup> Second, Staff has not yet applied CSM to historical BES data, and doing so will take a considerable amount of time. Third, application of CSM to BES would be significantly more involved than application to the daily ancillary capacity services. As a result, Staff believes that the details of applying CSM to the daily ancillary capacity services should be developed before developing the details of applying CSM to BES.

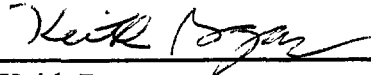
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<sup>2</sup> See Staff's October 23, 2002 filing, which describes this Procedure. Staff believes that application of CSM to the daily ancillary capacity services would be feasible under a nodal congestion management model, although it would require the additional step of aggregating affiliated resource-specific bids, if bidding for the daily ancillary capacity services became resource-specific.

Dated: December 16, 2002

Respectfully Submitted,

Thomas S. Hunter  
Division Director - Legal and Enforcement Division



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### **CERTIFICATE OF SERVICE**

I, Keith Rogas, certify that copies of this document will be served on all parties on December 16, 2002, in accordance with Public Utility Commission of Texas Procedural Rule 22.74.



Keith Rogas