



**Date:** February 10, 2009  
**To:** Board of Directors  
**From:** John Dumas, Operations Planning Manager  
**Subject:** Proposed Ancillary Service Methodology

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** February 17, 2009

**Agenda Item No.:** 06

**Issue:**

Whether the Board should approve the proposed changes to the methodology for determining Ancillary Service Requirements as presented herein, and reaffirm the unchanged sections of the document until the next revision.

**Background/History:**

Ancillary Services are necessary to maintain the reliability of the ERCOT system. The ERCOT Protocols define these Ancillary Services and charge ERCOT with determining a methodology for the minimum levels of Ancillary Services required. ERCOT Staff developed proposed changes to the methodology previously approved by the ERCOT Board on October 21, 2008.

The revised methodology description is attached hereto as Attachment A. The revised methodology was reviewed and approved by TAC at its December 5, 2009 meeting.

Section 6.4.1(2) of the ERCOT Protocols states that, “ERCOT shall at least annually, determine with supporting data, the methodology for determining the minimum quantity requirements for each Ancillary Service needed for reliability, including the percentage of Load acting as a Resource allowed to provide Responsive Reserve Services calculated on a monthly basis.”

Section 6.4.1(4) of the ERCOT Protocols requires that, “The ERCOT Board shall review and approve methodology for determining the minimum Ancillary Service requirements and the monthly percentage of Load acting as a Resource allowed to provide Responsive Reserve.”

ERCOT Staff and TAC respectfully recommend revised requirements to be effective in March 1, 2009.

**Key Factors Influencing Issue:**

Ancillary Services are necessary to ensure that there are sufficient resources to serve system load and maintain system frequency in the ERCOT system. Determining the minimum amount of services required to do this is based on operating experience, analysis and engineering judgment. The proposed methodology reflects ERCOT’s best judgment on minimum Ancillary Services needed for the ERCOT single Balancing Authority.



The changes from the 2008 – 2009 Methodology for Determining Ancillary Services Requirements document approved by the Board on October 21, 2008 are related to the Non Spinning Reserve Services and to Responsive Reserve Services. The changes are shown in red-line in Attachment A, and can be summarized as follows:

- Purchase Non Spinning Reserve Services based upon 4 hour blocks instead of on-peak and off-peak blocks. This recommendation was part of the effort to optimize the purchase of Non Spinning Reserve Services and was approved by TAC.
- LaaR will be allowed to provide up to 50% of Responsive Reserve for procurements of Responsive Reserve that range from 2300 MW to 2800 MW. This change was recommended by ROS and approved by TAC and was based upon the results of a Dynamics Working Group study.

**Alternatives:**

- (1) Approve the recommendation on the “2009 ERCOT Methodologies for Determining Ancillary Service Requirements” as endorsed by the TAC or as modified by the Board;
- (2) Reject the recommendation, leaving current methodology unchanged; or
- (3) Remand to ERCOT Staff with instructions.

**Conclusion/Recommendation:**

TAC and ERCOT Staff respectfully recommend that the Board approve the proposed changes to the methodology for determining Ancillary Service Requirements as presented herein to be effective March 1, 2009, and reaffirm the unchanged sections of the document until the next revision.



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to comply with the requirements of the ERCOT Protocols that charge ERCOT, at least on an annual basis, to determine a methodology for the minimum levels of Ancillary Services required; and

WHEREAS, the ERCOT Board further deems it desirable and in the best interest of ERCOT to approve the recommendations of TAC and ERCOT Staff to change the methodology of determining Ancillary Service Requirements as reflected in the 2009 ERCOT Methodologies for Determining Ancillary Service Requirements, which are attached hereto as Attachment A.

NOW, THEREFORE, BE IT RESOLVED, that the 2009 ERCOT Methodologies for Determining Ancillary Service Requirements, which are attached hereto as Attachment A, are hereby authorized and approved in each and every respect to be accepted by ERCOT as the methodology for determining Ancillary Service.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its February 17, 2009 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of \_\_\_\_\_, 2009.

\_\_\_\_\_  
Michael G. Grable  
Corporate Secretary