MEMO

Date: September 12, 2006
To: ERCOT Board of Directors
From: Ron Hinsley, Chief Information Officer
Subject: Texas Nodal Market Implementation

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: September 19, 2006
Agenda Item No.: 06(a)

Issue:
Board concurrence of the Texas Nodal Market implementation scenario and timeline as recommended by TPTF and ERCOT staff.

Background/History:
On September 11, 2006, Texas Nodal Transition Plan Task Force (TPTF) approved, in principle, recommending a phased Texas Nodal implementation timeline, as described below, with Release 1 first, then Release 2, and Release 3 implementing seven (7) days after Release 2. If ERCOT and Market Participants are unable to implement Release 3, all parties would revert back to operation under the Zonal Protocols.

The preferred dates for implementing the Releases, timed for seasonality, were:

- Release 1: Single Entry Model (with stable and capable SE) – **03/31/08**
- Release 2: Real Time Operations (LMPs) – **12/01/08**
- Release 3: Forward Markets (DAM & CRR) – **12/08/08**

TAC will host a special conference call on Thursday, September 14, 2006, for the purpose of discussing TPTF's recommendation regarding the Texas Nodal Market implementation timeline. The intent is to initiate a TAC e-mail vote regarding the TPTF recommendation shortly after the conference call on Thursday. Mr. Hinsley will update the ERCOT Board on the e-mail vote at the ERCOT Board meeting.

Key Factors Influencing Issue:

- ERCOT must implement the Nodal Protocols by January 1, 2009 pursuant to the Final Order in PUCT Docket No. 31540.
- The phasing of Texas Nodal implementation should allow for risk mitigation during transition.

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Alternatives: The ERCOT Board may select a different scenario and timeline for Texas Nodal Market implementation.
Conclusion/Recommendation: ERCOT staff recommends that the Board express concurrence with the Texas Nodal implementation timeline as recommended by TPTF.