



Current Status Of The
ERO Transition Activities
To Comply With The 2005 EPAC

ERCOT Board Meeting
February 21, 2006

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Draft 2 of the proposed NERC proposed ERO filing was posted on January 26

- More “Regional friendly”
- Membership Committee restored
- More realistic time schedule included

Regional Managers met with senior NERC staff on February 7, to develop a better understanding of the draft and negotiate further revisions for draft three of the filing

Another meeting is scheduled for March 6 to further discuss the issues

The NERC Board is scheduled to vote on the final filing documents at a special March 28 meeting



Delegation Agreement

Regional Entities (RE) will be created through delegation of ERO authority in a Delegation Agreement – it will be a pro-forma agreement with individualized, FERC approved, Regional attachments and will incorporate the “Rules of Procedure”

- Draft filing 2 appeared to allow unilateral change of rules by NERC
- Regional Managers negotiated different wording at the 2/7 meeting

Attachments will be negotiated by the Regions and will include:

- Governance and Rules – the final FERC ERO/RE certification rule and related discussion, issued February 6, and discussions with FERC staff strongly indicate it will be in ERCOT’s interest to create a separate, independent entity to perform the RE function – ERRO
 - Strong independence required
 - FERC review of “entire annual budget for statutory and non-statutory activities of each Regional Entity—including the RE’s business plan”
 - ERCOT Protocols kept separate from FERC approved and enforced NERC Standards



Delegation Agreement - Cont

Attachments (continued)

- Compliance Process – must be acceptable to ERO and FERC – ERCOT staff will meet with the NERC Board of Trustees Compliance Committee on March 15th to describe the current ERCOT compliance program
- Enforcement/Penalty Process – will be developed to administer the final ERO/FERC adopted matrix – currently, penalty basis being discussed
- Regional Standards Development Process – it appears that ERCOT can duplicate its current PRS process under ERCOT RE leadership to meet the requirements for such process to be open and fair
 - Not many Regional Standards are expected in ERCOT
 - Most will be variances from ERO standards as needed by ERCOT
- Funding – ERO and RE budget approved by FERC
 - All ERO and ERCOT RE funding from ERCOT will be sent to the ERO from the ERCOT ISO fee
 - The ERCOT RE will then be funded from that submittal by the ERO



Time Schedule

- NERC will file for ERO certification about April 4, 2006
- Regional Entities should be in the process of preparing to file and comply – a decision on ERCOT's RE structure and governance should be made at the March ERCOT Board meeting
- NERC anticipates certification in the June – July time period
- Regional Entities should be prepared to file when the ERO is certified, but not necessarily be in compliance at the time of its filing
- The ERO/RE structure should be completed and fully operational on 1/1/07
- Funding of NERC and Regions will continue as is for 2006
- The 2007 ERO/RE budget process will begin in March, 2006, when information is sent to the Regional Entities requesting their annual budget filing