

NOTICE DATE: November 4, 2005

NOTICE TYPE: Notice of System Change (PRR)

SHORT DESCRIPTION: Implementation of PRR569 - Revision to payments for Balancing Energy Service from a specific Resource

INTENDED AUDIENCE: QSE Settlement and Operations personnel

DAY AFFECTED: Operating Day November 16, 2005

LONG DESCRIPTION:

On Wednesday, November 16, 2005, ERCOT will implement PRR569 which revises the settlement calculation of payments for Balancing Energy Service from a Specific Resource.

PRR 485, which was approved by the ERCOT Board in April 2004 and implemented with EMMS Release 4 on October 5, 2005, establishes Resource-specific bid limits. QSEs must use these bid limits based on a modified generic cost structure in supplying Resource-specific bids via the Resource Plan. Resource-specific deployments and their corresponding payments are based on the submitted bids. The calculation of the Resource-specific bid limits, effective for the current Operating Day, uses the fuel index from the previous Operating Day.

PRR 569 modifies the settlement calculations so that the payment to the QSE will be based on the bid premium supplied by the QSE adjusted for the difference in the Fuel Index for the day before the Operating Day and the Fuel Index for the day the service was provided. This results in a normalized Fuel Index Price being used for Local Balancing Energy payments. This includes both Aggregated and non-Aggregated resources that are Gas Fired as well as LaaRs.

There are no new Billing Determinants as a result of this change. The following existing Bill Determinants will be impacted by this change:

LBEUPAMT
LBEDNAMT
LBEUPAGGAMT
OOMLEUPBPAGG
LBEDNAGGAMT
OOMLEDNBPAGG

For a complete description of the changes to Settlement equations, please see the attached Market Bulletin.

ADDITIONAL INFORMATION:

Market Operations Bulletin 29 is posted on the ERCOT Website at the following location:

<http://www.ercot.com/Participants/MarketBulletins.htm>

PRR569 is posted in the Protocol section of the ERCOT website at:

<http://www.ercot.com/AboutERCOT/PublicDisclosure/ProtocolRev.htm>

CONTACT: If you have any questions, please contact your ERCOT Account Manager. You may also call the general ERCOT Client Relations phone number at (512) 248-3900 or contact ERCOT Client Relations via e-mail at ClientRelations@ercot.com.