



# MEMO

**Date:** November 9, 2004  
**To:** Board of Directors  
**From:** Read Comstock, TAC Chair  
**Subject:** Report on Administration Fee Allocation Study

## Issue for the ERCOT Board of Directors

**ERCOT Board of Director Meeting Date:** November 16, 2004

**Agenda Item No.:** 8d

**Issue:**

To provide direction to TAC regarding the Board’s charge to TAC to develop alternatives to Administration Fee allocation.

**Background/History:**

At its March 2004 meeting, the Board directed TAC to present to the Board, before March 2005, a fee allocation methodology or methodologies for the ERCOT Administration Fee that would focus on the four elements set forth in Senate Bill 7. As part of that analysis ERCOT could hire a third-party to conduct a cost-allocation study.

TAC assigned a work group to develop potential options for allocating the ERCOT Administration Fee. Since that time, a subgroup of TAC has worked with ERCOT Staff and met several times to discuss potential options for Fee structure and related issues and to identify the information needed to evaluate the options. ERCOT has committed to gathering employee timekeeping data to help evaluate potential options for Fee design. Timekeeping activities are also planned for 2005 as a management tool for ERCOT.

At the October 28, 2004, open meeting of the PUCT, the Commissioners discussed the fee allocation issue. PUCT Staff suggested that a Commission rule-making would be the best forum for vetting the issues regarding fee allocation. Staff noted that obtaining better quality ERCOT cost data would be important in the development of a rule to evaluate these issues. ERCOT Staff has indicated its commitment to begin employee timekeeping according to the activities identified by TAC or the Commission to accumulate this data.

**Key Factors Influencing Issue:**

- TAC has been given a deadline of March 2005 to bring recommendations to the Board.
- The PUCT is planning a rulemaking to address the Fee allocation issue.



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- ERCOT Staff plans to begin time tracking early in 2005 to collect resource.

**Alternatives:**

(1) Direct TAC to continue working to develop options for Fee allocation; (2) direct TAC to cease its activities on the issue of Fee allocation; or (3) select either (1) or (2) and direct ERCOT Staff to proceed with employee timekeeping.

**Conclusion/Recommendation:**

ERCOT Staff recommends that TAC continue working to at least develop some general options on Fee allocation that would be useful for both the Board consideration and to aid the deliberations of the Commission on this issue. In addition, ERCOT Staff encourages an endorsement of its plans to implement employee timekeeping to support this activity.