



**Texas
Nodal
Team**

Board Update

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November 16, 2004



Agenda

- ◆ Cost Benefit Study
- ◆ ERCOT Protocol Development
- ◆ Economist Issues
- ◆ October 20 Voting
- ◆ November 8 Voting
- ◆ Action Requested



Cost Benefit Study

- ◆ Vendor reviewed preliminary results of the Energy Impact Assessment (EIA) and redrafted Other Market Impacts Assessment (OMIA) on October 27
 - Detailed hourly prices and congestion costs by binding constraint are posted to TNT website
- ◆ Detailed draft of EIA expected November 15
- ◆ Final OMIA and Implementation Impacts Assessment (IIA) also expected November 15
- ◆ Comprehensive final report expected November 30
- ◆ Plan to request approval to file at the December 14 Board meeting
- ◆ The filing deadline for the Cost Benefit Study was moved to December 31



ERCOT Protocol Development

- ◆ Completed all sections of Round 1 review except RUC, EHDAM, Section 2 & 22F
- ◆ Completion of Section 2 & 22F scheduled for November 11
- ◆ Round 2 started November 1, beginning with sections that should remain unchanged by the economist's comments.
- ◆ RUC and EHDAM will be reviewed during Round 2, after economist's comments are incorporated. These sections, and other sections likely to be impacted by economist's recommendations, will have both an intermediate and final review in Round 2.
- ◆ The filing deadline for Load Zones and draft Protocols was moved to March 18



Economist Issues

- ◆ Workshop held September 16 and 17 to address comments received from Dr. Wolak, Dr. Oren, Dr. Patton, and Dr. Roy Shanker.
- ◆ Following the workshop, TNT met over two days to discuss how to address the Economists' comments.
- ◆ Identified several potential changes to consider:
 - Consider more "integrated" DAEM, RUC
 - Co-optimized Ancillary Services and energy
 - Allocation of CRRs to Loads
 - Evaluate Derating of CRRs
 - Evaluate Mitigation after other proposals reviewed
- ◆ Workshop held week of October 25 to address white paper revisions to describe options to consider
- ◆ Had clarifying discussions with Wolak, Oren, and Patton in a November 3 workshop.



Economist Issues

- ◆ On November 8, we decided to adopt:
 - Addition of Co-Optimization of AS and energy in the Day-Ahead Energy Market
 - Changed the RUC allocation multiplier
 - Created a demand curve for a small quantity of Responsive Reserve Service
- ◆ We decided not to adopt:
 - A must-offer in DAEM
 - ERCOT “pre-commitment” of units in DAEM that it deems required for the following operating day
 - Any zonal allocation of RUC costs
 - Allocation of CRRs to Loads
- ◆ We decided to revisit the following on November 15:
 - Section 6.8.2 Uninstructed Resource Parameters
 - Greer’s proposed DAEM changes
 - Fully fund CRRs
 - Alternate settlement for CRR Options
 - Possible alternatives for allocation of Auction Revenue Rights to Loads
- ◆ Any ideas accepted will be incorporated in the Round 2 Protocol review process.



October 20 Voting

Vote

Result

Motion to approve the Element Competitiveness Index (ECI) motion as revised during the October 20, 2004 TNT General Session.

Approved by a ballot vote of 85.7% in favor and 14.3% opposed.

Motion to incorporate the proposed language for Section 7.5.1(1) into the Round 1 black-line and for consideration in Round 2.

Rejected by a ballot vote of 64.1% in favor and 35.9% opposed.



October 20 Voting (cont.)

Vote

Motion to send the Governor Response proposal to ROS for review and discuss in Round 2 comment.

Motion to take the idea of expanding virtual bids and offers to all nodes off the table.

Result

Approved by a unanimous voice vote with one abstention by CPS-San Antonio. Representatives from all seven segments were present.

Rejected by a ballot vote of 47.1% in favor and 52.9% opposed



November 8 Voting

Vote

Result

Motion to approve the Day Ahead Energy Market with Ancillary Services Co-optimization whitepaper as revised at the November 8, 2004 TNT General Session.

Approved by a ballot vote of 91.1% in favor and 8.9% opposed.

Motion to approve the Demand Curve for Small Quantity Responsive Reserve Service document as amended during the November 8, 2004 TNT General Session.

Approved by a ballot vote of 100% in favor.



November 8 Voting (cont)

Vote

Motion to approve option 2 for RUC allocation (Capacity Insufficiency costs system wide to those short and Congestion/Reliability costs to Load Zone on LRS) as revised at the November 8, 2004 TNT General Session.

Motion to approve the current white paper language for RUC Allocation with the multiplier revised from 6 to 2.

Result

Rejected by a ballot vote of 29% in favor and 71% opposed.

Approved by a ballot vote of 88.4% in favor and 11.6% opposed.



November 8 Voting (cont)

Vote

Motion to table the vote on Greer's DAEM white paper.

Result

Approved by a ballot vote of 91.2% in favor and 8.8% opposed.



Action Requested

Market Design Elements

- ◆ Request the Board approve the following revisions to the Texas Nodal Market Design elements:
 - Addition of Co-Optimization of AS and energy in the Day-Ahead Energy Market as defined in red-lined comments in the Board approved Day-Ahead Ancillary Services Market white paper (Attachment A)
 - Change the RUC allocation multiplier as defined in red-lined comments in the Board approved Day-Ahead Reliability Unit Commitment (DARUC) white paper (Attachment B)
 - Create a demand curve for a small quantity of Responsive Reserve Service as described in Attachment C