



MEMO

Date: May 10, 2005
To: Board of Directors
From: Read Comstock, TAC Chair
Subject: TAC Vote on Outstanding Data Correction Disputes

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: May 17, 2005

Agenda Item No.: 11c

Issue:

Whether it is appropriate to deny Market Participant disputes and ADRs that are filed with unspecific allegations about the accuracy of data supplied to ERCOT by TDSPs and other Market Participants (as required by Sections 10 and 15 of the Protocols) as a place-holder expecting improved data subsequent to the True-Up Settlement related to the Operating Day.

Background/History:

At its meeting in November 2004, the Board of Directors voted to refer the above-referenced issue to TAC. (A copy of the decision template from that meeting (Item 5b) can be found at: <http://www.ercot.com/calendar/2004calendar/AttachNov04/board/Item%205b%20-%20Data%20Correction%20Disputes.pdf>). In addition, the following information is relevant:

After the Board's vote in November, the TAC referred this issue to the Commercial Operations Subcommittee (COPS) for resolution. After several months, COPS could not reach consensus on the issue (COPS is continuing to look at this issue on a *prospective* basis). TAC then established an "ADR Task Force" to address the historical dispute/ADR issue. The ADR Task Force held several meetings and made a presentation to the full TAC on May 6, 2005.

At that meeting, representatives from ERCOT, TXU, TEAM, Direct Energy, OPUC and the PUCT staff made presentations regarding the technical background of the issues and different perspectives for resolving the issue. (A copy of the PowerPoint presentation can be found at: http://www.ercot.com/calendar/2005calendar/Attachmay05/TAC/TAC05062005_Attach.htm).

ERCOT staff explained that, in essence, ERCOT interprets the Protocols as instructing us to use Settlement data that is "as correct as possible" by the date of the True-up Statement. After that date, ERCOT should resettle an Operating Day only if the data error has an impact of greater than 2% on that Operating Day. In other words, we believe the Market Participants and PUCT (by approving the Protocols) have determined that settlement of a particular day needs to be "accurate" within two percent. Any other interpretation would lead to perpetual



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resettlements and result in the Market Participants' inability to "close their books".

At the conclusion of the TAC meeting, Ms. Laurie Pappas, OPUC representative, made the following motion (seconded by Jeff Holligan of BP):

TAC finds that Protocol Section 9.2.5 requires the denial of post-True Up load imbalance Resettlements related to data errors, unless the data error is greater than 2% of the ERCOT Operating Day market transaction dollars. Consistent with Protocol Section 9.2.5, an Entity with an unusual circumstance may take that circumstance to the Board for consideration.

The motion passed by a vote of twenty-three to four (opposing votes were from: TXU, CenterPoint, AEP and Calpine). All representatives of the Electric Cooperative, Municipal, Consumer, Independent Retail Electric Provider and Independent Power Marketer segments voted for the motion.

Key Factors Influencing Issue:

Key Factors to supporting ERCOT's practice:

- Allows ERCOT to consistently comply with the settlement timeline set forth in Section 9 of the Protocols and avoid the significant risks associated with a perpetual settlement cycle for any given Operating Day. ERCOT has applied the following analysis to disputes/ADRs:
 - When a Market Participant files a dispute or ADR based on an allegation of incorrect data, ERCOT staff determines whether ERCOT followed the Protocols regarding data aggregation and settlement. If ERCOT followed the Protocols, ERCOT denies the dispute/ADR;
 - If the matter involves data corrections made after ERCOT has issued the True-up Statement for that Operating Day, ERCOT will issue a Resettlement Statement only if the data error, "results in an impact greater than two-percent (2%) of the ERCOT Operating Day market transaction dollars, excluding bilateral transactions." (See Protocols §9.2.5)
- Allows ERCOT and Market Participants to "close the books" on Operating Days after following the market-approved processes for reconciliation of retail data variances and wholesale settlement disputes
- Allows Market Participants and ERCOT to focus resources on current Data Extract Variances
- Discourages "place holder" or imprecise disputes/ADRs

Key Factors to allow resettlements for data errors that have less than a 2% impact:



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- The market may never be exactly “right” for any given Operating Day, but allowing additional resettlement would allow more accuracy
- TDSPs have no incentive to provide timely or accurate data
- There would be a significant adverse impact on claimants of existing ADRs currently filed for prior years

Alternatives:

- (1) Affirm the current approach used by ERCOT Staff and endorsed by the TAC; or
- (2) Allow unlimited resettlements when any Market Participant requests it based solely on data errors.

Conclusion/Recommendation:

TAC and ERCOT Staff recommend that the Board affirm that it is appropriate to deny that portion of Market Participant disputes and ADRs that relate to the accuracy of the data supplied to ERCOT by TDSPs and other Market Participants (as required by Sections 10 and 15 of the Protocols), even though ERCOT may have received data corrections subsequent to the True-Up Settlement related to the Operating Day.