



ERCOT Board Update

**Bill Bojorquez
September 13, 2005**



August 22 TNT Votes

- ◆ Removal of Synchronous Condenser language from the Nodal Protocols - approved by unanimous voice vote
- ◆ Transition Plan Outline - approved by unanimous voice vote
- ◆ Eliminate the 2-year limitation for availability of Flowgate Rights – approved by unanimous voice vote
- ◆ “Timing of First CRR Auction” – approved by unanimous voice vote. Approved motion to:
“Provide that after the 6-month trial period is completed, sell CRRs for the balance of the current calendar year at the next monthly auction.”



August 22 TNT Votes (cont.)

- ◆ “Timing of First PTP Obligations” – motion failed by ballot vote of 51.2% in favor and 48.8% opposed. Failed motion:
“Allow obligations to be sold at all durations and locations after the first 6-month trial period is complete.”
- ◆ “Two-step Mitigation of CRR Deration” – motion failed by ballot vote of 64.3% in favor and 35.7% opposed. Failed motion:
“Apply the 2-step mitigation process in the DAM with the same floors and caps applied in Real-Time. Virtual bids and offers at a Resource settlement point would be subject to the same floors and caps as the physical Resource at the settlement point. PTP Obligations “up-to” bids are limited to \$1000/MWh..”



August 22 TNT Votes (cont.)

- ◆ Allow ERCOT to repossess CRRs held by a counter-party in the event of a default – approved by unanimous voice vote
- ◆ Monthly CRR Auctions to include products only for the next month – approved by majority voice vote. Opposed by MEC and LCRA and no abstentions.



August 29 TNT Vote

- ◆ Derate of Oversold CRRs Issue – approved by a ballot vote of 100% in favor.
 - For a CRR that impacts “oversold” transmission elements (i.e. flows on the element from all CRRs sold or allocated prior to the DAM exceeds its rating):
 - Reduce that CRR’s payment in proportion to its impact on the oversold elements (i.e. derate the CRR) but not below the CRR’s legitimate “Hedge Value”
 - Hedge Value is the payment for the CRR that fully hedges a Resource at the source of the CRR offering energy above its Minimum Resource Price (close to its marginal cost)
 - If DAM revenues are insufficient in order to maintain the Hedge Value of CRRs, then all CRR owners are short-paid that amount on a CRR payment ratio share
 - A CRR Balancing Account from DAM excess revenues is used to pay the short-paid CRR owners. At the end of each month, any money left in the Account is paid to loads



September 9 TNT Vote

- ◆ Section 6.5.7.3 (6) – demand curve for responsive reserves – approved by a ballot vote of 85.7% in favor and 14.3% opposed. Approved motion to:

“Revise Section 6.5.7.3(6) LSL is the greater of \$300 or 30% of the system-wide offer cap and HSL is \$1,000 or 100% of the system-wide offer cap. This mechanism should be reconsidered to be replaced by Real-Time Co-optimization if Real-Time Co-optimization is implemented.”



September 12 Motion on New Protocol Draft

- ◆ Resolved that the draft set of ERCOT TNT Protocols dated as of September 23, 2005 includes the settlement formulas and credit subsections that were not included in the March 18, 2005 filing. The Protocols in general do not necessarily represent the views of any particular TNT member on the appropriateness of a particular Protocol, and participation in the TNT process does not indicate whether a particular TNT member supports the change to a nodal market. Each TNT member reserves the right to take any position regarding the ERCOT TNT Protocols or whether a nodal market design should be adopted at the PUCT or elsewhere.
- ◆ The motion was approved by a ballot vote of 75.2% in favor and 24.8% opposed.



Protocol Filing Contents

Sections modified in the TNT Protocols dated September 23, 2005:

<u>Section No.</u>	<u>Title</u>	<u>Section No.</u>	<u>Title</u>
1	Overview	8	Perf. Monitoring and Compliance
2	Definitions and Acronyms	9	Settlement and Billing
3	Management Activities for the ERCOT System	12	Market Information System
4	Day-Ahead Operations	16	Reg. and Qual. of Market Participants
5	Transmission Security Analysis and RUC	17	Market Monitoring and Data Collection
6	Adjustment Period and RT Operations	22Exhibit F:	RMR Agreement
7	Congestion Revenue Rights	22Exhibit H:	CRR Account Holder Agreement

All other sections of the ERCOT Protocols require only conforming changes that are not needed to evaluate the proposed wholesale market design changes.



Draft Board Resolution

- WHEREAS, the Public Utility Commission of Texas has directed Electric Reliability Council of Texas, Inc. (ERCOT) to use a stakeholder process to develop a wholesale market design that complies with the market elements set forth by Commission rule (PUCT Subst. R. 25.501);
- WHEREAS, ERCOT has sponsored a stakeholder process (Texas Nodal Team - TNT) in compliance with the Commission's rule, providing independent facilitation to participating stakeholders, and TNT has developed a market design and draft Protocols in compliance with the Commission's rule;
- WHEREAS, ERCOT filed with the Commission draft Protocols supporting the TNT-developed market design on March 18, 2005, which required additional work by stakeholders to finalize settlement formulas and credit risk issues and which have been now been resolved by TNT;
- NOW THEREFORE BE IT RESOLVED, that the Board of Directors directs ERCOT Staff to file the draft Protocols developed by the TNT process in compliance with the Commission's rule, as revised by TNT subsequent to the March filing.
- By this action, the Board makes no endorsement of the final TNT market design or draft Protocols, or other alternatives for market design that the Commission may consider.



Questions ?



BACK-UP SLIDES



Other Failed Motions (Sept 12)

- ◆ Resolved that the draft set of ERCOT TNT Protocols dated as of September 23, 2005 meet the requirements of PUCT Substantive Rule 25.501(m). The TNT process provided independent facilitation to participating stakeholders and a voting structure that ensured representation of each stakeholder segment. Each part of the draft ERCOT TNT Protocols has been approved by a vote of at least 67% of the TNT stakeholder participants present, by market segment, but the entire set of draft ERCOT TNT Protocols does not necessarily represent the views of any particular TNT member. Each TNT member reserves the right to take any position regarding the ERCOT TNT Protocols at the PUCT or elsewhere. TNT recommends that ERCOT file the ERCOT TNT Protocols at the PUCT on or before September 23, 2005.
- ◆ Motion failed by a ballot vote 52.4% in favor and 47.6% opposed.



Other Failed Motions (cont)

- ◆ Resolved that the draft set of ERCOT TNT Protocols dated as of September 23, 2005 includes the settlement formulas and credit subsections that were not included in the March 18, 2005 filing. The Protocols in general do not necessarily represent the views of any particular TNT member on the appropriateness of a particular Protocol, and participation in the TNT process does not indicate whether a particular TNT member supports the change to a nodal market. Each TNT member reserves the right to take any position regarding the ERCOT TNT Protocols or whether a nodal market design should be adopted at the PUCT or elsewhere. TNT recommends that ERCOT file the ERCOT TNT Protocols at the PUCT on or before September 23, 2005.
- ◆ Motion failed by a ballot vote 57.1% in favor and 42.9% opposed.



Other Failed Motions (cont)

- ◆ Resolved that the draft set of ERCOT TNT Protocols dated as of September 23, 2005 includes the settlement formulas and credit subsections that were not included in the March 18, 2005 filing. The Protocols in general do not necessarily represent the views of any particular TNT member on the appropriateness of a particular Protocol, and participation in the TNT process does not indicate whether a particular TNT member supports the change to a nodal market. Each TNT member reserves the right to take any position regarding the ERCOT TNT Protocols or whether a nodal market design should be adopted at the PUCT or elsewhere. TNT recommends that ERCOT file the ERCOT TNT Protocols at the PUCT on or before September 23, 2005.
- ◆ Motion failed by ballot vote of 66.9% in favor and 33.1% opposed.



Summary of Approved TNT Vote on New Protocol Draft

Segment	Total	Yes	No	% in Favor	Abstain
Cooperatives	4	1	3	25%	
Municipal	6	3	2	60%	1
IOU	1	1	0	100%	
Ind. Generators	3	3	0	100%	
Consumers	3	2	1	66.7%	
Ind. Rep.	5	3	1	75%	1
Ind. P. M.	3	3	0	100%	

The motion was approved by a ballot vote of 75.2% in favor and 24.8% opposed.