



MEMO

Date: September 13, 2005
To: Board of Directors
From: Bill Bojorquez
Subject: Approve Filing of Revised Texas Nodal Team Draft Protocols

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: September 20, 2005

Agenda Item No.: 11a

Issue:

Approval to file draft Texas Nodal Protocols with the PUCT by the following resolution:

WHEREAS, the Public Utility Commission of Texas has directed the 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 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.

Background:

The TNT has completed its process of developing draft Protocols to implement the PUCT wholesale market design set forth in accordance with PUCT Subst. R. 25.501, *Wholesale Market Design in the Electric Reliability Council of Texas*. Under that rule, ERCOT was required to file proposed Protocols for the implementation of the Texas Nodal market design. The ERCOT Board approved the filing of draft Texas Nodal Protocols at its March



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15, 2005, meeting. However, some outstanding issues required additional work – primarily to finalize settlement formulas and to address credit risk issues. Those matters have been addressed by TNT.

At its September 12, 2005, meeting the TNT approved the following Resolution regarding the sections of the draft Texas Nodal Protocols recommended to be filed:

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 TNT ballot vote of 75.2% in favor and 24.8% opposed. A summary of the vote is as follows (each segment has one full vote shared among eligible participants):

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 full text of the draft Texas Nodal Protocols can be found at:

<http://www.ercot.com/TNT/default.cfm?func=documents&intGroupId=115&b=>

Synchronization with Current ERCOT Protocols

While the TNT process has produced draft Protocols to implement Texas Nodal, the “baseline” ERCOT Protocols used for the development was based on the Protocols in effect in April of 2004. Since that time, there have been many Protocol revisions. ERCOT Market Rules Staff has been assigned the task of working with the Protocol Revision Subcommittee



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(PRS) to synchronize the Texas Nodal Protocols with the current Protocols. ERCOT anticipates making a supplemental filing showing the reconciled Texas Nodal and current Protocols.

Action Requested, Key Factors:

TNT and ERCOT Staff seek Board approval of the resolution (set forth above) to file the draft ERCOT Texas Nodal Protocols with the PUCT. Transition planning to support anticipated efforts on Texas Nodal is already underway based on the outcome of the TNT process. The PUCT Commissioners are on record requesting that the draft Protocols be filed on September 23, 2005, to facilitate the Commission's review of such Protocols.

Alternatives:

(1) Approve resolution directing ERCOT's filing of the draft ERCOT Texas Nodal Protocols as presented or as modified by the Board; (2) remand to ERCOT and TNT with instructions.

Conclusion/Recommendation:

ERCOT Staff recommends approval of the filing of the draft ERCOT Texas Nodal Protocols by approving the resolution above.