Market Redesign Board Report

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Highlights:

- **Program Director has been hired**
- **Network Model Management System requirements approved by TPTF however, decision appealed to TAC by one Market Participant**
- **Nodal Protocols approved by PUCT on March 8**
- **Program time line to be delivered by April 15**

Budget and Financing:

Formal financing has not been approved. Cost recovery activities are underway. Responsible parties for cost recovery filing are Carolyn Shellman, Ron Hinsley and Steve Byone.

Spending to date: $528,000 (YTD through February)

Project scope and management:

Overall project plan draft is under development. Plan will be submitted to TPTF on April 15. It must be emphasized that this is a preliminary view of the plan. Time line and spending forecasts will be updated upon completion of business requirements and as vendor commitments become definite.

Human Resources:

Sixty-one employee positions are being sought by the Market Redesign team to begin a series of tasks designed to complete business requirements, conceptual and technical designs. Of these 61, only 30 have been posted, and none have been filled to date, which warrants the warning flag of red.

Marketplace communications:

A change management plan is under development by Richard Gruber. As part of the plan, we will attempt to formalize the communication strategy to ensure the market understands expectations and can better align external organizations for timely completion of Nodal. TPTF has done an excellent job of working with ERCOT on clarifying Protocols, approving NMMS business requirements and staying in lock-step with the program.

Items requiring Board action – none

Critical tasks completed:

- Network Model Management System business requirements approved by TPTF. However, an appeal of that vote has been submitted by one participant. ERCOT will facilitate discussions via a Nodal modeling Forum on March 23 to address MP concerns.

- Market Redesign Program director has been hired. Kathryn Hager's first day was March 13.

- PA Consulting is on board and has begun implementing Program Office functions. Vision Workshop and draft management plans have been completed.

- Facilities plan completed and presented by Mike McCutchen. A resolution to the space constraint issue has been put forward by the Facilities group and funding mechanisms are being researched. Approval given by Executive Leadership to make changes in TCC2 and Blue Building, which will provide about 109 new work spaces..

- Data Center hardware strategy presented by Enterprise Architecture group. David Johnson assigned as lead to oversee strategy implementation. The plan is to reduce power, cooling and floor space needs through replacement of old servers with newer technology, decommissioning of retired servers, and virtualization of physical servers through operating system compartmentalizing.

Critical upcoming tasks (next 30 days) –

- Delivery of program time line to TPTF on April 15.
- Completion of cost recovery petition
- Request for Information for Network Model Management system (AREVA, Siemens, ABB as recipients)
- Development of other business requirements to begin in earnest
- Communication of vendor strategy (See general comments)

General comments:

The approach to business requirements development has been a topic of discussion. It is now believed that some program aspects can be bid based on Protocols rather than on completed business requirements. This approach will likely work for the Market Management System (MMS) and Congestion Revenue Rights (CRR) System. By adapting this approach ERCOT can take full advantage of the vendors' experiences from other markets and can streamline the process. Risks associated with uncertainties such as Real Time Co-optimization could be better managed with this approach.

A vendor strategy has been developed for the EMS systems and is designed to streamline program implementation and to keep costs down. The strategy emphasizes that Energy Management System (EMS) will not be replaced and AREVA will continue as ERCOT's primary vendor for that space. AREVA has also been awarded the contract for implementation of the Operator Training System (OTS) after a rigorous competitive process.

An RFI will be developed on the Network Model Management system. This will determine the readiness of the primary vendors on their ability to deliver a system to meet ERCOT Protocols. The primary risk to be managed in this project will be the interface to the EMS, MMS and the CRR systems.

The MMS and the CRR System will be put up for bid and will include the major parties along with some boutique players for particular deliverables. The ERCOT procurement and contracting process will guide the team on vendor selection.

It has not yet been determined how settlements and billing and enterprise information system implementation will be handled. However, it is likely that these system modifications will be performed by in-house staff.

Concerns:

- While approving the Nodal Protocols on March 8, the PUCT asked that load response issues and real time co-optimization be studied by ERCOT and stakeholders by January 1, 2009. Because common MP and ERCOT resources will be involved in TPTF activities and further studies of load response and real time co-optimization, we will have to schedule further studies so as to not delay other TPTF activities.
- TPTF voted to approve the NMMS Business Requirements as being in compliance with applicable Protocols. ERCOT was asked to appropriately utilize a forum of Market Participants to ensure that the NMMS Conceptual Design moves forward in a feasible and cost-effective manner.
- Approval of the Business Requirements is greatly appreciated and necessary for ERCOT to move forward with a vendor to further investigate feasibility and the cost effectiveness of the NMMS.
- The TPTF vote was appealed to TAC by one party. ERCOT feels management of the network model will require significant change from the current zonal approach to meet nodal needs. ERCOT is very interested in better understanding the issues raised by TSPs as we cannot succeed without their support. A Nodal Modeling Forum has been scheduled by ERCOT to facilitate discussions related to nodal modeling and TSP concerns. The goal of the Nodal Modeling Forum is to develop consensus on the nodal modeling requirements and ERCOT's approach to meeting those requirements.