

## Market Redesign Report

**To:** Tom Schrader, Chief Executive Officer  
ERCOT Board of Directors

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**Status Update:** The Market Redesign project plan is nearly finished. The plan will be rolled out on April 14. The Request for Proposals are nearly complete and will be released on April 14.

**Items requiring Board Action:** None. However, please be advised that Request for Proposals (RFP) will be sent on April 14. Several contracts and projects exceeding \$1 million will be required to fulfill the needs of the program. It is essential the Board be aware of these activities as background information prior to discussions for spending approval.

### Spending to date through March:

#### O&M YTD:

Internal labor (1)	\$620K
Equipment, tools, materials, supplies	\$ 2K
Outside services	\$121K
Employee expenses	\$ 9K
<b>Total O&amp;M:</b>	<b>\$752K</b>

**Capital YTD:** \$149K

**Total Nodal spend YTD:** \$901K

(1) – March internal labor values are preliminary

**Cost Recovery:** There has not been a firm date set for a cost recovery filing to the PUCT for Nodal. I recommend that we target May 15 as the date for this filing. This date will enable the team to more fully understand the costs, gain some feedback from the vendors and develop and feel for the number of zonal activities that can be curtailed so that ERCOT staff can focus on Nodal. It is imperative that ERCOT begin the transition to Nodal as soon as possible to reduce the need for external staff augmentation.

**Staffing:** There was much discussion around staffing at the March Board of Director's meeting for Nodal. We believe the program can be achieved with 90 people dedicated to Nodal based on current knowledge. However, we need room for about 70 dedicated to the program and co-located within ERCOT facilities. The remaining 20 will flex in and out of the program and be

located in other areas and dedicated seats will not need to be provided. However, this could change as we get further into the program.

**Request for Proposals:** The work packages have been identified and seven will go out for external bid. The packages going out for bid are Market Operations, Congestion Revenue Rights, Financial Transfer, Credit Monitoring, Outage Scheduling, Load forecasting, and Network Model and Telemetry. Market Operations is a significant package and includes the following key components: the day ahead market, supplemental ancillary service market, reliability unit commitment, real time market, emergency operations enhancements, price correction, administration and mitigation, asset registration interfaces and EMS/MMS interfaces.

An RFI for Network Model Management has been sent out to determine the existing abilities of ABB, Siemens and Areva. Areva has informed ERCOT that they do not have an NMMS product that meets the ERCOT requirements.

Internal deliveries are anticipated for Registration, Settlements and Billing.

**Time Line:** The program time line will be final by April 14. Highlights of the plan will be discussed at the April 18 Board meeting.

**Project Cost Estimate:** As of this writing the anticipated cost of the program is still uncertain. The \$125 million estimate was a best guess at what was known during Q4 2005. Factors that will influence the cost include the bids received from the RFP's, the number of contractors used, the readiness of the market participants, the ability to manage and control scope, and the eagerness and readiness of ERCOT staff to participate in the program. The May 15 filing will provide a new forecast of spending and will include RFP costing information.

**General Comments and Observations:** Kathy Hager met with the TPTF and was able to gain their agreement on an approach to use the protocols as the business requirements.

An Open House was held on March 30 and was attended by four TPTF members and one PUCT staff member. The event was well received and many insights into the program were gained by those who attended.