Texas Nodal Market Implementation

ERCOT Board of Directors Meeting

Program status briefing

September 19, 2006

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Detailed planning has demonstrated 1/1/09 is feasible

The key risk mitigation recommended by the Program is phasing of implementation

TPTF approved, in principle, a phased approach with Release 1 first, then Release 2, with Release 3 implementing 7 days after Release 2. If unable to implement Release 3, the market would revert to Zonal
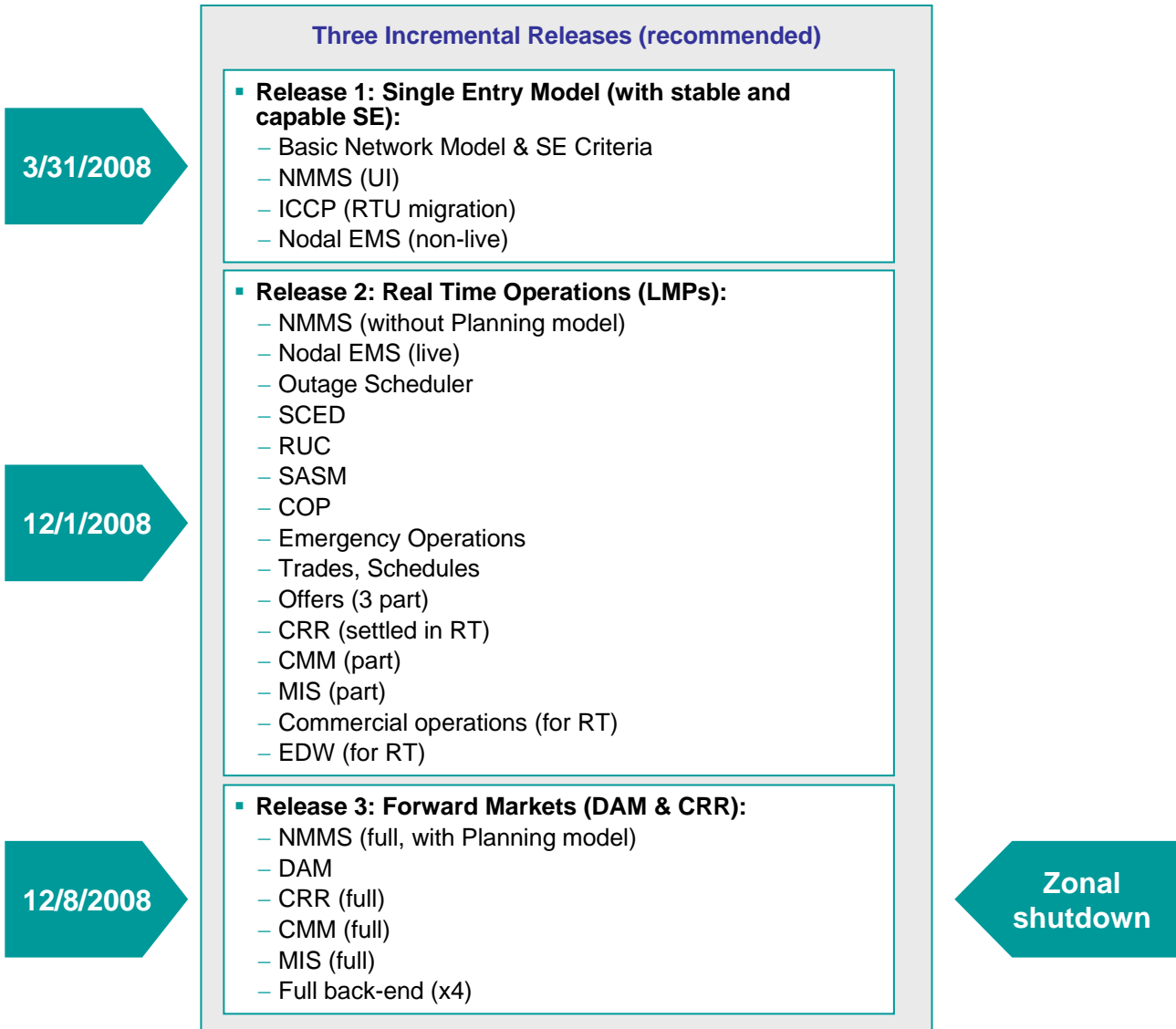
The preferred dates for implementing the Releases, timed for seasonality, were:

- Release 1: Single Entry Model (with stable and capable State Estimator/SCADA) – 3/31/08

- Release 2: Real Time Operations (LMPs) – 12/1/08

- Release 3: Forward Markets (DAM & CRR) – 12/8/08

We seek concurrence for this recommendation through this briefing

Budget based on recommended scenario will be presented at 9/19/2006 Board meeting.

Endorsement of budget will be requested during October Board meeting.

Recommended implementation release definition

Three Incremental Releases (recommended)

3/31/2008

- **Release 1: Single Entry Model (with stable and capable SE):**
  – Basic Network Model & SE Criteria
  – NMMS (UI)
  – ICCP (RTU migration)
  – Nodal EMS (non-live)

12/1/2008

- **Release 2: Real Time Operations (LMPs):**
  – NMMS (without Planning model)
  – Nodal EMS (live)
  – Outage Scheduler
  – SCED
  – RUC
  – SASM
  – COP
  – Emergency Operations
  – Trades, Schedules
  – Offers (3 part)
  – CRR (settled in RT)
  – CMM (part)
  – MIS (part)
  – Commercial operations (for RT)
  – EDW (for RT)

12/8/2008

- **Release 3: Forward Markets (DAM & CRR):**
  – NMMS (full, with Planning model)
  – DAM
  – CRR (full)
  – CMM (full)
  – MIS (full)
  – Full back-end (x4)

Zonal shutdown

Recommended timeline – Nodal Market & Zonal Shutdown December 2008
Release 1 (3/31/08); Release 2 (12/1/08); Release 3 (12/8/08)
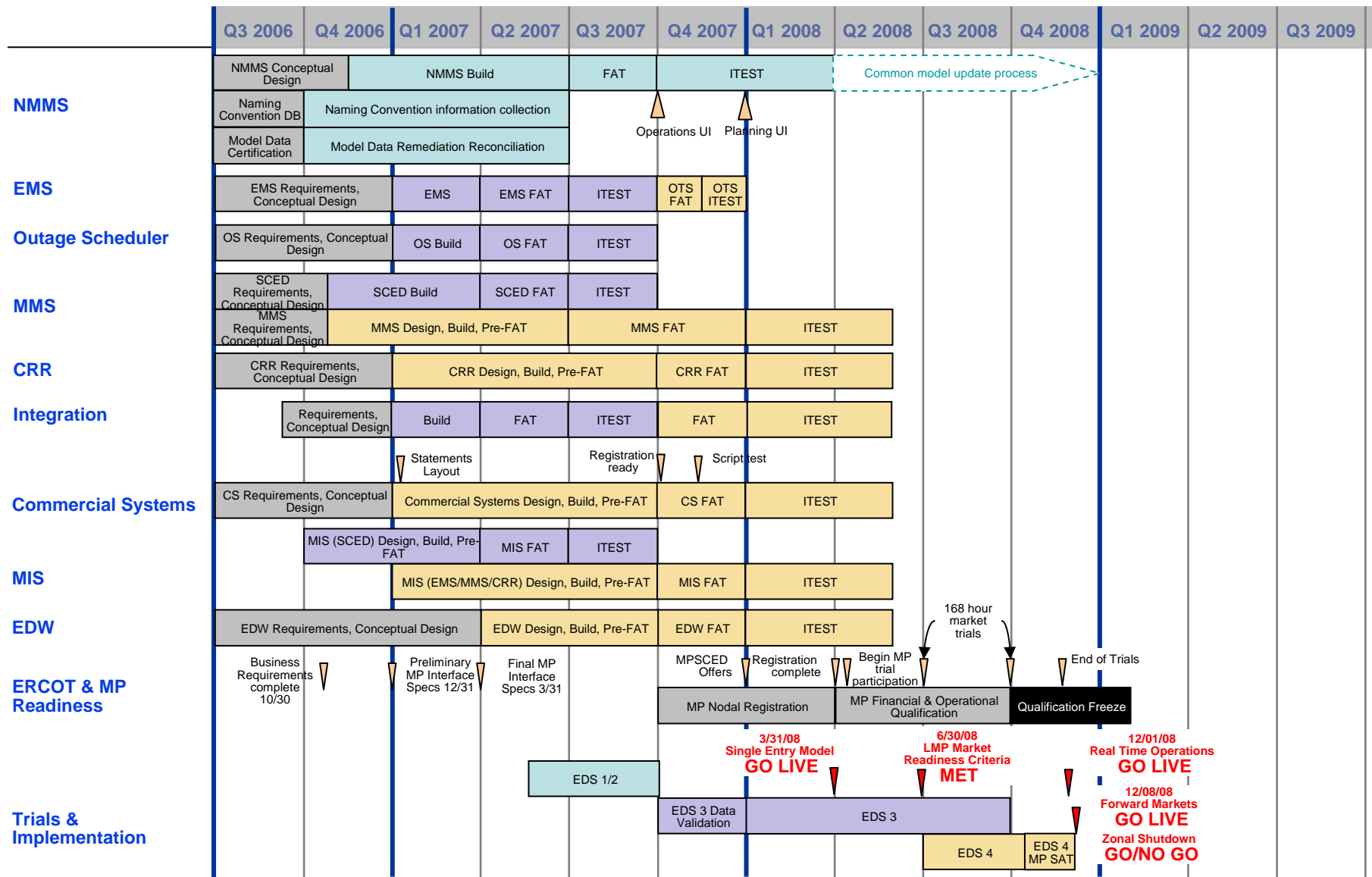
Decisions needed

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Overall program status is amber, based on achievability of 1/1/09 delivery

1/1/09 is feasible:
- TPTF recommendation 9/11
- BOD 9/19/06 schedule commitment - concurrence of scenario recommendation and date

Individual Projects will incorporate the decision into detailed schedules and budgets to enable baselining

Staffing is improving:
- Vendor community rallying to solve EMS skill gap
- Integration Project Manager identified

Key project resources remain susceptible to production priorities

Major vendor selections approaching completion:
- UISOL selected as Integration Designer/QA
- MIS Vendor selected; MSA/SOW in process
- Integration Builder TDB

Statements of Work (SOWs) for development are in preparation for the first vendors to emerge from Requirements

❑ O&M (,000)

- Internal labor $ 1,992
- Equipment, tools, supplies   34
- Outside services   1,980
- Facilities and Utilities   225
- Employee expenses   26
- Interest and fees   79
- Other   13
- Total O&M: $4,349

❑ Capital

- Total Capital $3,993

❑ Total spending through August $8,342

Note: Total spending through July $4,354K