



MEMO

Date: September 12, 2006
To: ERCOT Board of Directors
From: Read Comstock, TAC Chair
Subject: Nodal Protocol Revision Requests

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: September 19, 2006

Agenda Item No.: 09(b)

Issue:

Consideration of Nodal Protocol Revision Requests (NPRRs).

Key Factors Influencing Issue:

The Protocol Revision Subcommittee (PRS) met, discussed the issues and submitted recommendation reports to the Technical Advisory Committee (TAC) regarding the NPRRs described herein. TAC considered the issues and voted to take action on the NPRRs as described below.

Proposed effective date: upon Texas Nodal Market implementation. ERCOT believes that, at this stage of the Nodal project, revisions proposed by NPRRs 003, 011, 012, 013, 014, 015, and 016 can be absorbed and incorporated into the initial set of business requirements and system design. It is anticipated that the impacts can be incorporated into the initial project schedule. No significant additional high-level impacts to ERCOT staffing, computer systems, business functions or grid operations are anticipated.

- ***NPRR003, Section 5, Zonal PRR Synchronization and ERCOT Staff Clarifications.*** This NPRR incorporates relevant language from PRR537, Increased Congestion Management Flexibility, approved by the ERCOT Board on 9/21/04. This NPRR also incorporates Transition Plan Task Force (TPTF) determinations regarding ERCOT Staff clarification questions as documented in the ERCOT Clarification Matrix for Section 5 and discussed by TPTF on 1/9/06, 2/6/06, 4/10/06 and 4/11/06. On 6/22/06, the PRS unanimously voted to recommend approval of NPRR003. All Market Segments were present for the vote. On 7/6/06, the TAC unanimously voted to refer NPRR003 to the Reliability Operations Subcommittee (ROS) to evaluate whether Nodal Protocol Section 5.5.1(5), Security Sequence, is consistent with the Operating Guides. All Market Segments were present for the vote. On 9/7/06, with all Market Segments present, TAC voted to recommend approval of NPRR003 as amended by comments submitted by the Transition Plan Task Force and CenterPoint Energy. There was one abstention from the Independent



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Generator segment.

- ***NPRR011, Revision to Credit Requirements.*** This NPRR adds a requirement that a Counter-party in Payment Breach must provide ERCOT with information about its ESI IDs as set forth in the ERCOT Retail Market Guide. This NPRR was posted on 8/1/06. On 8/17/06, PRS voted unanimously to recommend approval of NPRR011 as submitted. All Market Segments were present for the vote. On 9/7/06, TAC unanimously voted to recommend approval of NPRR011 as recommended by PRS. All Market Segments were present for the vote. ERCOT credit staff and the Credit WG have reviewed NPRR011 and believe that it has positive credit implications: Obtaining billing and other information about customers from an entity in breach will enable the Mass Transition process to execute more smoothly once initiated. This NPRR should reduce the risk to the acquiring entities as well as speed the process of moving customers.
- ***NPRR012, CRR Granularity in CRR Auction.*** This NPRR revises the Congestion Revenue Rights granularity from whole MWs to tenths of MWs. This NPRR was posted on 8/9/06. On 8/17/06, PRS voted unanimously to recommend approval of NPRR012 as submitted. All Market Segments were present for the vote. On 9/7/06, TAC unanimously voted to recommend approval of NPRR012 as recommended by PRS. All Market Segments were present for the vote. ERCOT credit staff and the Credit WG have reviewed NPRR012 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***NPRR013, Section 2, Zonal PRR Synchronization and ERCOT Staff Clarifications.*** This NPRR incorporates relevant language from various PRRs that were approved by the Board between April 2004 and February 2006 and determinations regarding ERCOT Staff clarification questions discussed by TPTF. This NPRR was posted on 8/9/06. On 8/17/06, PRS voted to recommend approval of NPRR013 as submitted. There was one abstention from the IOU Market Segment; all Market Segments were present for the vote. On 9/7/06, TAC voted to recommend approval of NPRR013 as recommended by PRS. There were two abstentions from the IOU segment and the Cooperative segment; all Market Segments were present for the vote. ERCOT credit staff and the Credit WG have reviewed NPRR013 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***NPRR014, Zonal PRR Synchronization for Section 16.*** This NPRR incorporates relevant language from various PRRs that were approved by the Board between April 2004 and February 2006 and determinations regarding ERCOT Staff clarification questions discussed by TPTF. This NPRR was posted on 8/9/06. On 8/17/06, PRS voted unanimously to recommend approval of NPRR014 as revised by



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PRS. All Market Segments were present for the vote. On 9/7/06, TAC unanimously voted to recommend approval of NPRR014 as recommended by PRS. All Market Segments were present for the vote. The Credit WG noted support for NPRR014 by stating that this NPRR has positive credit implications because it has the potential to reduce the amount of uplift to the market.

- ***NPRR015, Zonal PRR Synchronization Section 22 Attachment H.*** This NPRR incorporates relevant language from PRR643, Shorten Payment Default Timelines, approved by the Board on 12/13/05. This NPRR was posted on 8/9/06. On 8/17/06, PRS voted unanimously to recommend approval of NPRR014 as submitted. All Market Segments were present for the vote. On 9/7/06, TAC unanimously voted to recommend approval of NPRR015 as recommended by PRS. All Market Segments were present for the vote. The Credit WG noted support for NPRR015 by stating that this NPRR has positive credit implications because it has the potential to reduce the amount of uplift to the market.
- ***NPRR016, TPTF Cleanup Items for Sections 2, 3, and 16.*** This PRR corrects conformance errors in the Nodal Protocols. This NPRR was posted on 8/9/06. On 8/17/06, PRS voted unanimously to recommend approval of NPRR016 as revised by PRS. All Market Segments were present for the vote. On 9/7/06, TAC unanimously voted to recommend approval of NPRR016 as recommended by PRS. All Market Segments were present for the vote. ERCOT credit staff and the Credit WG have reviewed NPRR016 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

The TAC Recommendation Reports and Impact Analyses associated with these NPRRs are included in the Board meeting materials. In addition, these NPRRs and their supporting materials are posted on the ERCOT website at the following link: <http://nodal.ercot.com/protocols/npr/index.html>.

Alternatives:

- (1) Approve the TAC recommendation on NPRRs 003, 011, 012, 013, 014, 015, and 016 as described above or as modified by the Board;
- (2) reject the TAC recommendations; or
- (3) remand any NPRRs to the TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC recommends that the Board approve the NPRRs as described herein.