



MEMO

Date: October 10, 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: October 17, 2006

Agenda Item No.: 9b

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 Staff believes that, at this stage of the Nodal implementation project, revisions proposed by NPRRs 017, 022, 023, 025, and 030 can be incorporated and absorbed 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. NPRR027 and NPRR028 are necessary to implement the results of the value engineering analysis and avoid cost impacts of over \$300,000 each. The Impact Analysis for 029NPRR will be initiated after October 16, 2006, and completed by November 13, 2006. Credit WG evaluation pending.

- ***NPRR017, Discontinuation of Interest Charge for Defaulting Entities at Time of Uplift.*** This NPRR allows ERCOT to cease the calculation of interest (Late Fees) for defaulting entities when the conditions initiating uplift are met. Late Fee calculations will continue for Short-paying entities until uplift conditions are met. NPRR017 was posted on 8/10/06. On 8/17/06, PRS tabled consideration until its September meeting. On 9/21/06, with all Market Segments present, PRS voted unanimously to recommend approval of NPRR017 as revised by comments submitted by ERCOT Staff. On 10/6/06, with all Market Segments present, TAC voted unanimously to



MEMO

recommend approval of NPRR017 as recommended by PRS.

- ***NPRR022, MIS Posting Area for Trades.*** This NPRR changes the MIS area to post trades from the MIS Secure Area to the MIS Certified Area. NPRR022 was posted on 9/5/06. On 9/21/06, PRS voted unanimously to recommend approval of NPRR022 as submitted. All Market Segments were present for the vote. On 10/6/06, with all Market Segments present, TAC voted unanimously to recommend approval of NPRR022 as recommended by PRS.
- ***NPRR023, Correction to Formatting of Section 8.1.2.2.1.*** This NPRR corrects the formatting of Section 8.1.2.2.1 so that it conforms to the rest of the Nodal Protocols. NPRR023 was posted on 9/6/06. On 9/21/06, PRS voted unanimously to recommend approval of NPRR023 as submitted. All Market Segments were present for the vote. On 10/6/06, with all Market Segments present, TAC voted unanimously to recommend approval of NPRR023 as recommended by PRS.
- ***NPRR025, Definition of Annual Planning Model.*** This NPRR provides a definition for Annual Planning Model in Section 3, Management Activities for the ERCOT System. NPRR025 was posted on 9/13/06. On 9/21/06, PRS voted unanimously to recommend approval of NPRR025 as submitted. All Market Segments were present for the vote. On 10/6/06, with all Market Segments present, TAC voted unanimously to recommend approval of NPRR025 as recommended by PRS.
- ***NPRR027, Block Offers in CRR Auction.*** This NPRR revises how Congestion Revenue Rights (CRRs) may be offered in the CRR Auctions. CRRs may be bid in CRR Auctions and may be allocated in any time-of-use block. However, CRR bid awards and allocations for a one-month strip of 7x24 block will be split into one-month strips of the three other blocks and may be offered into subsequent CRR Auctions as the three separate block offers but not as a single 7x24 block. This NPRR was posted on 9/14/06. On 9/21/06, RPS voted to recommend approval of NPRR027 as submitted. There were two abstentions from the Independent Power Marketer (IPM) and the Municipally Owned Utility (MOU) segments. All Market Segments were present for the vote. On 10/6/06, with all Market Segments present, TAC voted unanimously to recommend approval of NPRR027 as recommended by PRS.
- ***NPRR028, CRR Trading in Blocks Only.*** This NPRR revises how CRRs may be traded in the bilateral market and in CRR Auctions. This revision would limit CRR trading to time-of-use blocks for a particular date and CRR Offers in CRR Auctions to time-of-use blocks. With this revision, CRR Account Holders would not be able to trade a particular hour or a block of hours that is not one of the defined time-of-use blocks in Section 7.3 (6). NPRR028 was posted on 9/14/06. On 9/21/06, PRS



MEMO

voted to recommend approval of NPRR028 with one abstention from the Independent Generator segment. All Market Segments were present for the vote. On 10/6/06, with all Market Segments present, TAC voted unanimously to recommend approval of NPRR028 as recommended by PRS.

- ***NPRR029, Network Model Testing Clarification.*** This NPRR clarifies testing processes and requirements by dividing the model testing into real-time testing and simulation testing. NPRR029 was posted on 9/15/06. On 9/21/06, PRS voted unanimously to recommend approval of NPRR029 as submitted. All Market Segments were present for the vote. On 10/6/06, with all Market Segments present, TAC voted unanimously to recommend approval of NPRR029 as recommended by PRS.
- ***NPRR030, Addition to CRR Account Holder Qualification Criteria.*** This NPRR adds language describing an entity that is not eligible to own CRRs. NPRR030 was posted on 9/15/06. On 9/21/06, PRS voted unanimously to recommend approval of NPRR030 as submitted. All Market Segments were present for the vote. On 10/6/06, with all Market Segments present, TAC voted unanimously to recommend approval of NPRR030 as recommended by PRS.

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 017, 022, 023, 025, 027, 028, 029, and 030 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.