

**ERCOT Staff Response to Long Term Solution Task Force question
For Aug. 30, 2007, LTSTF meeting**

Does the new Nodal market design obviate the need for EILS or another long-term solution?

ERCOT Staff Response:

Although some Texas Nodal features have the potential to improve the efficiency and accuracy of operating reserve commitments, numerous factors can combine to cause late-stage EECF events, not all of which will be addressed by the new Nodal market design. Specifically, Nodal market design will not directly impact the following variables:

- Extreme weather events
- Weather forecast error and its effect on the Mid-term Load Forecast.
- Forced generation unit outages.
- Forced transmission line outages affecting generation availability.
- Seasonal variations in generation units' net dependable capability.
- Fuel supply shortages or curtailments.
- Reduced available generation during periods of extensive scheduled maintenance
- ERCOT Reserve Margins.

All of the above can contribute to the type of emergency condition that EILS is designed to mitigate. Therefore ERCOT Staff cannot conclude that adoption of the Nodal market obviates the need for EILS or another long-term solution. ERCOT Staff does commit to evaluate the need for EILS on a periodic basis.