



Date: January 8, 2008
To: Board of Directors
From: Mark Dreyfus, Technical Advisory Committee (TAC) Chair
Subject: Protocol Revision Requests

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: January 15, 2008

Agenda Item No.: 8b

Issue: Consideration of Protocol Revision Requests (PRRs).

Background/History:

- ***PRR727, Process for Transition to Nodal Market Protocol Provisions. Proposed effective date: February 1, 2008. No budgetary impact; no additional full-time equivalents needed; no system changes required; no additional business processes required; no impact to grid operations.*** This PRR authorizes an orderly transition from the zonal Protocols to the nodal Protocols and provides a transparent mechanism to retire zonal Protocol sections and implement nodal Protocol sections. This PRR also requires two notices to Market Participants: the first market notice thirty days prior to the retirement or effective date and the second market notice no less than ten days prior to the retirement date of a zonal Protocol or effective date of a nodal Protocol. On 6/21/07, PRS unanimously voted to refer PRR727 to the Transition Plan Task Force (TPTF) for recommendation on to how to resolve potential conflicts and how to process zonal Settlements after the start of the Texas Nodal Market, including any settlement disputes, and report back at the July 19, 2007 PRS meeting. All Market Segments were present for the vote. On 9/20/07, PRS unanimously voted to recommend approval of PRR727 as revised by PRS and TPTF comments. All Market Participants were present for the vote. On 10/18/07, PRS unanimously voted to forward the Impact Analysis and the PRS Recommendation Report to TAC. All Market Segments were present for the vote. On 11/1/07, TAC unanimously voted to refer PRR727 to TPTF to consider the definition of the term “grave” as used in Section 21.12.4, Reinstatement of Zonal Protocol Provisions, and to refer two policy issues to TPTF: (1) consideration of a longer notice period in the event of a delay in nodal market implementation; and (2) consideration of how a reversion to zonal market systems should be limited by time and/or scope. All Market Segments attended the vote. On 11/29/07, TAC voted to recommend approval of PRR727 as revised by TPTF with one abstention by the Independent Power Marketer (IPM) Market Segment. All Market Segments attended the vote. ERCOT credit staff and the Credit Work Group (WG) have reviewed PRR727 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR738, Remove Old Versions of Standard Form Agreements. Proposed effective date: February 1, 2008.*** *No budgetary impact; no additional full-time equivalents needed; no system changes required; no additional business processes required; no impact to grid operations.* This PRR deletes old versions of Standard Form Market Participant Agreements. PRR738 and its associated Impact Analysis were posted on 9/24/07. On 10/18/07, PRS unanimously voted to recommend approval of PRR738 as submitted. All Market Segments were present for the vote. On 11/15/07, PRS voted unanimously to forward PRR738 and its Impact Analysis to TAC. All Market Segments were present for the vote. On 11/29/07, TAC unanimously voted to recommend approval of PRR738 as recommended by PRS. All Market Segments attended the vote. Credit WG evaluation pending.
- ***PRR744, Revision to 16.2.8, Monitoring of Creditworthiness by ERCOT - URGENT. Proposed effective date: February 1, 2008.*** *No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations.* This PRR provides that a QSE or its Guarantor will provide to ERCOT copies of financial statements for ERCOT to use in determining the QSE's creditworthiness. ERCOT posted this PRR on 10/31/07. The submitter requested Urgent status stating that a recently-issued ERCOT market notice requested financial statements from QSEs regardless of whether they relied on a guarantor for creditworthiness. The submitter stated the PRR is necessary to conform the requirement to be consistent with credit industry practice. On 11/2/07, PRS granted Urgent status via email vote. On 11/15/07, PRS voted to table PRR744 until its December meeting. On 12/13/07, PRS voted to recommend approval of PRR744 as amended by the Credit WG, with one opposing vote (Municipal Market Segment) and two abstentions (Independent Retail Provider (IREP) and Cooperative (Coop) Market Segments). All Market Segments attended the vote. On 1/3/08, with all Market Segments present, TAC unanimously voted to recommend approval of PRR744 as recommended by PRS. The Credit WG supported the PRR as submitted, and provided comments that PRS and TAC approved, which included revisions to comments submitted by Suez, and Green Mountain.
- ***PRR748, Settlement During EDS 3 LFC Testing – URGENT. Proposed effective date: February 1, 2008.*** *No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations.* This PRR modifies Out Of Merit Energy (OOME) and Local Balancing Energy (LBE) payment formulas for the Early Deliver System (EDS) 3 Release 6.3, Load Frequency Control (LFC) (Total System) test. It also corrects terminology and capitalizes terms. ERCOT posted this PRR on 12/7/07. The submitter requested Urgent status, stating the PRR must take effect before the EDS 3 LFC testing begins. On 12/12/07, PRS granted Urgent status via email vote. On 12/13/07, PRS voted to recommend approval of PRR748 with one abstention by the Independent Power Marketer (IPM) Market Segment. All Market Segments attended the vote. On 1/3/08, with all Market Segments present, TAC unanimously voted to recommend approval of PRR748. Credit WG evaluation pending.



The TAC Recommendation Reports and Impact Analyses associated with these PRRs are included in the Board meeting materials. In addition, these PRRs and their supporting materials are posted on the ERCOT website at the following link:

<http://www.ercot.com/mktrules/protocols/prr.html>

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 PRRs described herein. TAC considered the issues and voted to take action on the PRRs as described above.

Alternatives:

1. Approve the TAC recommendation on PRRs 727, 738, 744, and 748 as described above or as modified by the Board;
2. Reject the TAC recommendation; or
3. Remand PRRs 727, 738, 744, or 748 to the TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC recommends that the Board approve PRRs 727, 738, 744, and 748 as described herein.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
ISO BOARD OF DIRECTORS RESOLUTION

WHEREAS, the Electric Reliability Council of Texas, Inc. (ERCOT) Board of Directors (Board) deems it desirable and in ERCOT's best interest to approve PRR727, *Process for Transition to Nodal Market Protocol Provisions*, PRR738, *Remove Old Versions of Standard Form Agreements*, PRR744, *Revision to 16.2.8, Monitoring of Creditworthiness by ERCOT*, and PRR748, *Settlement During EDS 3 LFC Testing*,

THEREFORE BE IT RESOLVED, that the Board hereby approves PRR727, *Process for Transition to Nodal Market Protocol Provisions*, PRR738, *Remove Old Versions of Standard Form Agreements*, PRR744, *Revision to 16.2.8, Monitoring of Creditworthiness by ERCOT*, and PRR748, *Settlement During EDS 3 LFC Testing*.

CORPORATE SECRETARY'S CERTIFICATE

I, _____, Corporate Secretary of ERCOT, do hereby certify that, at its January 15, 2008 meeting, the ERCOT ISO Board of Directors approved the above-referenced Resolution. The Motion passed by_____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of_____, 200____.

A. Andrew Gallo
Assistant Corporate Secretary