



Date: February 12, 2008
To: Board of Directors
From: Mark Dreyfus, Technical Advisory Committee (TAC) Chair
Subject: Nodal Protocol Revision Requests

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: February 19, 2008

Agenda Item No.: 8b

Issue:

Consideration of Nodal Protocol Revision Requests (NPRRs)

Background/History:

Unless otherwise noted, all Market Segments attended for each vote.

- ***NPRR084, Creating Amendment to Standard Form Market Participant Agreement. Proposed effective date: upon implementation of the Texas nodal market. No incremental cost to ERCOT is anticipated. ERCOT believes these proposed Nodal Protocol revisions are assumed and reflected in current Nodal business requirements and will not increase the Nodal budget.*** This NPRR adds a new form, ***Amendment to Standard Form Market Participant Agreement***, to the ERCOT Protocols. On 10/23/07, ERCOT posted NPRR084. On 12/13/07, PRS unanimously voted to recommend approval of NPRR084 as submitted. On 1/17/08, PRS unanimously voted to forward the PRS Recommendation Report and Impact Analysis for NPRR084 to TAC. On 2/7/08, TAC unanimously voted to recommend approval of NPRR084 as recommended by PRS. ERCOT Credit Staff and the Credit Work Group (WG) have reviewed NPRR084 and do not believe it requires changes to credit monitoring activity or the calculation of liability.
- ***NPRR085, Revision of Digital Certificate Procedures. Proposed effective date: upon implementation of the Texas nodal market. No incremental cost to ERCOT is anticipated. ERCOT believes these proposed Nodal Protocol revisions are assumed and reflected in current Nodal business requirements and will not increase the Nodal budget.*** This NPRR documents, in Section 16.11.3, Market Participant Audits of User Security Administrators and Digital Certificates, the requirement that Market Participants generate their own list of User Security Administrators (USAs) and Digital Certificate holders for audit purposes and use an automated process to manage (*i.e.*, enroll, renew, revoke and audit) their Digital Certificates. This NPRR also clarifies the language describing the responsibilities of the Market Participant, its USA and ERCOT. On 10/24/07, ERCOT posted NPRR085. On 11/15/07, PRS unanimously voted to refer NPRR085 to the Transition Plan Task Force (TPTF). On 12/13/07, PRS unanimously voted to recommend approval of NPRR085 as submitted. On 1/17/08, PRS unanimously voted to forward the PRS Recommendation Report and Impact Analysis for NPRR085 to TAC. On 2/7/08, TAC unanimously voted to recommend approval of NPRR085 as

recommended by PRS. ERCOT Credit Staff and the Credit WG have reviewed NPRR085 and do not believe it requires changes to credit monitoring activity or the calculation of liability.

- ***NPRR088, Revision to 16.11.5, Monitoring of a Counter-Party's Creditworthiness and Credit Exposure by ERCOT. Proposed effective date: upon implementation of the Texas nodal market.*** No incremental cost to ERCOT is anticipated. ERCOT believes these proposed Nodal Protocol revisions are assumed and reflected in current Nodal business requirements and will not increase the Nodal budget. This NPRR ensures that ERCOT will receive and accept as sufficient from the Counter-Party, financial statements of the Counter-Party, or a guarantor if a guarantee is provided, for the purpose of determining the Counter-Party's creditworthiness. ERCOT posted NPRR088 on 10/31/07. On 11/15/07, PRS unanimously voted to table NPRR088. On 12/13/07, PRS voted to recommend approval of NPRR088, as revised by Credit Working Group (CWG) comments, with one opposing vote (Municipally Owned Utility (MOU) Market Segment) and two abstentions (Independent Retail Electric Provider (IREP) and Electric Cooperative Market Segments). On 1/17/08, PRS unanimously voted to forward the PRS Recommendation Report and Impact Analysis for NPRR088 to TAC. On 2/7/08, TAC unanimously voted to recommend approval of NPRR088 as recommended by PRS. ERCOT Credit Staff and the CWG reviewed NPRR088 and supported the NPRR as drafted, with comments from Suez and a subset of comments from Green Mountain in PRR744, Revision to 16.2.8, Monitoring of Creditworthiness by ERCOT, and also proposed revised language.
- ***NPRR090, Corrections of FIP-FOP in Energy Offers. Proposed effective date: upon implementation of the Texas nodal market.*** Minor cost of less than \$50,000. This cost could be absorbed by the Commercial Systems (COMS) project. Therefore, no incremental cost to ERCOT is anticipated. ERCOT believes these proposed Nodal Protocol revisions are assumed and reflected in current Nodal business requirements and will not increase the Nodal budget. This NPRR corrects the submission and use of Fuel Index Price/ Fuel Oil Price (FIP/FOP) percentages in Energy Offers. On 12/05/07, ERCOT posted NPRR090. On 12/13/07, PRS unanimously voted to recommend approval of NPRR090 as submitted. On 1/17/08, PRS voted to recommend rejecting changes to Sections 4.4.9.2.1 and 4.4.9.4.2, and retaining the proposed changes to the four remaining sections that do not require a project for implementation, with the understanding that parties may submit a separate NPRR to address Sections 4.4.9.2.1 and 4.4.9.4.2 if necessary. The motion passed with one opposing vote (Investor Owned Utility (IOU) Market Segment) and one abstention (MOU segment). On 2/7/08, TAC voted to recommend approval of NPRR090 as revised by ERCOT Staff comments. The motion passed with four opposing votes (Consumer Market Segment).

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>

**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 above.

Alternatives:

1. Approve the TAC recommendation on NPRR084, NPRR085, NPRR088, and NPRR090 as described above or as modified by the Board;
2. Reject the TAC recommendation; or
3. Remand NPRR084, NPRR085, NPRR088, or NPRR090 to TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC recommends that the Board approve NPRR084, NPRR085, NPRR088 and NPRR090 as described herein.



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

WHEREAS, the Electric Reliability Council of Texas, Inc. (ERCOT) Protocol Revision Subcommittee (PRS) considered and discussed NPRR084, *Creating Amendment to Standard Form Market Participant Agreement*, NPRR085, *Revision of Digital Certificate Procedures*, NPRR088, *Revision to 16.11.5, Monitoring of a Counter-Party's Creditworthiness and Credit Exposure by ERCOT*, and NPRR090, *Corrections of FIP-FOP in Energy Offers* and recommended their approval; and

WHEREAS, the ERCOT Technical Advisory Committee (TAC) considered and discussed NPRR084, *Creating Amendment to Standard Form Market Participant Agreement*, NPRR085, *Revision of Digital Certificate Procedures*, NPRR088, *Revision to 16.11.5, Monitoring of a Counter-Party's Creditworthiness and Credit Exposure by ERCOT*, and NPRR090, *Corrections of FIP-FOP in Energy Offers* and recommended their approval; and

WHEREAS, the ERCOT Board of Directors (Board) deems it desirable and in ERCOT's best interest to approve NPRR084, *Creating Amendment to Standard Form Market Participant Agreement*, NPRR085, *Revision of Digital Certificate Procedures*, NPRR088, *Revision to 16.11.5, Monitoring of a Counter-Party's Creditworthiness and Credit Exposure by ERCOT*, and NPRR090, *Corrections of FIP-FOP in Energy Offers*;

THEREFORE, BE IT RESOLVED, that the Board hereby approves NPRR084, *Creating Amendment to Standard Form Market Participant Agreement*, NPRR085, *Revision of Digital Certificate Procedures*, NPRR088, *Revision to 16.11.5, Monitoring of a Counter-Party's Creditworthiness and Credit Exposure by ERCOT*, and NPRR090, *Corrections of FIP-FOP in Energy Offers*.

CORPORATE SECRETARY'S CERTIFICATE

I, _____ [Assistant] Corporate Secretary of Electric Reliability Council of Texas, Inc., a Texas nonprofit corporation, do hereby certify that, at its February 19, 2008 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by a vote of [unanimous voice vote with no abstentions].

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2008.

[Assistant] Corporate Secretary