

DOCKET NO. 35428

ERCOT APPLICATION FOR	§	PUBLIC UTILITY COMMISSION
APPROVAL OF A REVISED NODAL	§	
MARKET IMPLEMENTATION	§	OF TEXAS
SURCHARGE	§	

**APPLICATION FOR APPROVAL OF A REVISED
NODAL MARKET IMPLEMENTATION SURCHARGE**

COMES NOW, the Electric Reliability Council of Texas, Inc. (“ERCOT”), and, pursuant to P.U.C. SUBST. R. § 25.363, P.U.C. PROC. R. § 22.252 and the Public Utility Commission of Texas’ (“Commission”) Orders in Docket No. 32686,¹ respectfully submits this Application for Approval of a Revised Nodal Market Implementation Surcharge (“Nodal Surcharge”). In support thereof, ERCOT’s testimony demonstrates that the Nodal Market Implementation Program (“Nodal Program”) is characterized by prudent management and is committed to project quality and to timely delivery of the Nodal market, and further that the revised cost projections that underlie this Application result from changes to project requirements and scope not anticipated when the Commission approved the Nodal Surcharge in Docket No. 32686.

I. INTRODUCTION AND PROCEDURAL BACKGROUND

ERCOT filed its original Application for a Nodal Surcharge on May 5, 2006, in Docket No. 32686. The Commission issued its *Interim Order* approving an interim Nodal Surcharge on August 29, 2006. The interim Nodal Surcharge was “assessed to Qualified Scheduling Entities (“QSEs”) representing generation resources, multiplying the surcharge factor by the total net metered generation aggregated to the QSE level.”² After further proceedings in Docket No. 32686, the Commission approved a final Nodal Surcharge of \$0.127 per megawatt-hour (MWh) in its *Order* dated May 23, 2007.

In its *Order Nunc Pro Tunc*, dated June 13, 2007, the Commission clarified certain issues in its *Order*, in particular the process for review of future changes to the Nodal Surcharge. The Commission provided that “ERCOT may initiate Commission

¹ Docket No. 32686, *Application of the Electric Reliability Council of Texas for Approval of a Nodal Market Implementation Surcharge and Request for Interim Relief* (2007).

² Docket No. 32686, *Interim Order*, at 8.

proceedings to change the nodal surcharge only if the change in the Nodal Program cost estimate leading to the request is more than 10 percent higher or lower than the amounts presented in this proceeding.”³ In addition, the Commission ordered that “[i]n future proceedings in which ERCOT requests to change the nodal surcharge, ERCOT may use the modified ERCOT Fee Filing Package format” adopted in Docket No. 32686.

ERCOT respectfully requests that the Commission change the Nodal Surcharge to \$0.169 per MWh, to be implemented no later than June 1, 2008 so that the anticipated expiration of the surcharge in 2012 would not change. This increase is necessitated by changes in the Nodal Program cost estimate that increase the cost estimate by more than 10 percent above that presented in Docket No. 32686. The reasons for the proposed change in the Nodal Surcharge are summarized herein and detailed in the testimony of ERCOT witnesses and in the Nodal Fee Filing Package materials filed with this Application.

II. RELIEF REQUESTED

The Commission’s *Order* approving the Nodal Surcharge found that it is “prudent that ERCOT have a source of funding to pay current and anticipated expenses related to the Nodal-market implementation.”⁴ The Commission’s approval of the Nodal Surcharge provided the targeted source of funding for the work associated with ERCOT’s completion of the Nodal Program. The December 1, 2008 “Go-Live” date for Texas Nodal is now less than a year away, and ERCOT is confident in its ability to bring the massive project in on schedule and with high quality, barring unforeseen setbacks. In order to complete the job, however, ERCOT must request additional funding for costs that it cannot recover from the Nodal Surcharge currently in place.

Since the Commission approved the Nodal Surcharge in May 2007, certain unforeseen events with program-wide impact have led ERCOT to increase its estimate for completing the Nodal Program. The four categories of changes that caused the increase in the Nodal budget (and their respective percentage impact on the change from the original budget) include:

³ Docket No. 32686, *Order Nunc Pro Tunc*, at 2 (June 13, 2007).

⁴ Docket No. 32686, *Order*, at 7 (FOF 14).

(1) Risk-mitigation efforts, rework due to midstream adjustments, and unforeseen events and requirements – 8.8%: This category includes activities that were underestimated in terms of the actual work required and activities not foreseen at the time of formulation of the previous budget. For example, software integration efforts were much more extensive than anticipated. When ERCOT formulated its original budget, the Nodal Program estimated that one-hundred fifty (150) software interfaces would be necessary. The full development of software requirements and detailed design, however, revealed that Nodal systems would require approximately four hundred (400) interfaces – each of which carries design and testing costs.

(2) Scope changes due to Nodal Protocol Revision Requests (“NPRRs”) - 4.8%: Changes in project scope resulting from approved Nodal Protocol Revision Requests (“NPRRs”) caused ERCOT and its software vendors to incorporate changes in the software design for some of the largest and most sensitive systems involved in the Nodal Program. ERCOT has incorporated seventy-four (74) NPRRs into the Nodal systems during the course of the project. While the NPRRs approved to date will create a vastly more functional and efficient market than would have resulted from the Nodal Protocols that the Commission approved in 2006, the revisions also carry unavoidable cost consequences for the Nodal Program.

(3) Post-procurement changes to vendor Statements of Work (“SOW”) - 3.9%: This category includes vendor costs that exceeded the original project budget, which was based on the initial estimates from the May 2006 Nodal Protocols and early requirements definitions. When vendor SOWs were based on the earlier version of Nodal requirements, new requirements and scope had to be added to vendor contracts at additional cost. Moreover, there have been other needs for software vendors’ work to be customized to meet the needs of the Nodal Program that were not reasonably anticipated prior to their discovery by ERCOT, Market Participants, or vendor personnel.

(4) Schedule delays and staffing issues - 4.0%: This category includes various scheduling issues and staffing constraints. These issues are inter-related in that in some cases additional staffing was needed to address delays, and in other cases staffing problems created delays. For example, costs increased in Nodal Program contractor staffing to compensate for fewer available ERCOT employees than anticipated. In

addition, some ERCOT employees remained on the Nodal Program staff longer than expected due to extended testing schedules or delays in upstream projects that affected completion of the employees' projects.

While the factors driving cost increases had varying impacts on every Nodal Program project, the Market Management System ("MMS") project has been hit hardest from a budget perspective. The MMS is the "heart" of the Nodal Program, and it must function properly for the Nodal Market to work efficiently. The MMS project has always been one of the largest and most expensive Nodal projects. The main components of the MMS include key elements of the Nodal market:

- Day-Ahead Market
- Supplemental Ancillary Services Market
- Reliability Unit Commitment
- Real-Time Security Constrained Economic Dispatch
- Constraint Competitiveness Tests

The MMS software is by necessity extremely complex, and includes many features developed specifically for ERCOT's market. The original plan for MMS software development – conceived to meet the originally approved Nodal Protocols – known as "Baseline 0," had to be substantially revised due to changes arising from NPRRs. The revised, post-NPRR plan ("Baselines 1 & 2") resulted in significant changes in project scope that had cascading impacts on core elements of the Nodal Program's schedule, testing design, software development and related labor costs. In addition, the MMS project experienced the loss of a key staff member at a critical stage in the software design process, causing design delays that affected other aspects of the project. Consequently, as the supporting testimony and documentation attests, the Estimate at Completion ("EAC") for the MMS project has increased by over \$25 million.

Nodal Program and ERCOT leadership has worked directly with the key vendor on the MMS project to control the increased costs associated with these issues. ERCOT believes that its efforts to manage the challenges associated with the MMS project are paying off. The budget increases reflected in ERCOT's request to increase the Nodal Surcharge incorporate numerous specific cost control measures agreed to by ERCOT and the lead vendor. ERCOT and the vendor also agreed on an MMS implementation and

testing schedule that permits other dependent systems to be tested and ready for the December 2008 Go-Live target.

ERCOT shares the Commission's desire to control Nodal Program costs and to know them with certainty. As explained by ERCOT's witnesses, as the Nodal Program nears completion there are fewer "unknowns" that could result in budget changes. As one of IBM's audit reports of the Nodal Program stated in discussing software development estimates: "Variance to estimated effort and cost will exist. ... Variance (risk) declines as more is known about the work to be done." The scope of the Nodal Program is now much more settled than it was in May 2007 when the Commission approved the existing Nodal Surcharge. The risks associated with budget are thus diminishing as the Program moves toward its scheduled completion. The December 1, 2008 Go-Live date remains a strong driver of all of the Nodal Program's activities. ERCOT's proposal here seeks to foster timely delivery and high quality by including in the budget estimate a commercially reasonable contingency amount. If an adequate contingency amount is funded through the Nodal Surcharge, ERCOT is more reasonably confident that it will not be required to seek another change to the Nodal Surcharge during its collection period.

The testimony of ERCOT's witnesses, and its supporting documentation, demonstrate that ERCOT's request is reasonable and necessary to maintain the quality of the Nodal Program and ensure its timely completion. ERCOT presents information concerning the Nodal Program and its revised EAC in support of a Nodal Surcharge that will, for the benefit of Texas consumers, establish a reasonable fee that can remain level and consistent over the development period of the Nodal Program and the average useful life of assets obtained as part of the Nodal Program. ERCOT requests that the Nodal Surcharge be increased to a level that will recover Nodal Program expenses. In all other respects, ERCOT requests that the Commission maintain its rulings regarding the structure, recovery period, allocation, and review of the Nodal Surcharge. Specifically, ERCOT requests the following:

A. Approval of a Nodal Surcharge of \$0.169 per MWh, to be implemented beginning no later than June 1, 2008.

ERCOT bases its request for a revised Nodal Surcharge on its need to recover \$311.3 million, which represents the cost of the Nodal Program to be recovered by the Nodal Surcharge, including the costs of financing portions of the Nodal Program with reasonable levels of debt. ERCOT's Board of Directors approved this request on January 15, 2008, finding that ERCOT's cost estimate "is a reasonable forecast of ERCOT's costs of nodal market implementation"⁵

The testimony of ERCOT's Vice-President and Chief Financial Officer ("CFO") Steve Byone presents calculations demonstrating that ERCOT's proposed Nodal Surcharge, if implemented on June 1, 2008, should be \$0.169 per MWh in order to collect the anticipated Nodal Program costs to be recovered via the Nodal Surcharge. As discussed below, ERCOT bases the assumptions underlying its calculation of the Nodal Surcharge on its recommendation that the Commission adopt the same "flat-fee" method for calculating the revised Nodal Surcharge as it approved in Docket No. 32686. Another key assumption is that the final Nodal Surcharge can be implemented no later than June 1, 2008. As ERCOT's witnesses explain, delays in implementation of the revised Nodal Surcharge result in increased debt-service payments, potential increases in the surcharge amount, and deterioration in ERCOT's debt/revenue ratio.

The changes in the Nodal Program EAC leading to ERCOT's request to increase the Nodal Surcharge are summarized in Table 1 below. Table 1 compares the current EAC to the estimates presented in Docket No. 32686.

Table 1: Comparison of Current EAC with Docket 32686.

	Docket 32686 EAC (\$ millions)	Current EAC (\$ millions)
Total Program budget	\$263.0	\$319.4
Less:		
Zonal/Nodal projects	37.0	39.7
Capitalized Interest costs	10.6	10.6
 Nodal costs to be financed	 215.4	 269.1

⁵ ERCOT Board of Directors Resolution, January 15, 2008 (Attached to the Direct Testimony of Mr. Steve Byone as Exhibit SB-1).

Plus:		
Debt financing costs	33.5	42.2
Costs recoverable via Nodal Surcharge	\$248.9	\$311.3

The overall increase in the Nodal Program EAC totals \$56.4 million. The increase in the Nodal Program budget drives the \$8.7 million in increased debt-financing costs incorporated into the revised Nodal Surcharge request. In addition, the estimate to complete for the “Zonal/Nodal dependency” projects has increased by \$2.7 million. In Docket No. 32686, the Commission found that “[i]t is appropriate for ERCOT to exclude the costs of the zonal/nodal dependencies from the nodal-market implementation budget.”⁶ These zonal/nodal projects are not funded by the Nodal Surcharge, and thus are not included in the total amount that must be recovered from the Nodal Surcharge. The zonal/nodal projects are, however, accounted for as part of the total Nodal Program budget, and the \$2.7 million increase described above was also approved by the ERCOT Board of Directors on January 15, 2008.

B. Continuation of the “flat-fee” method of calculating the Nodal Surcharge adopted by the Commission in Docket No. 32686.

In Docket No. 32686, the Commission agreed that of the numerous possible methods for collecting revenues to pay for the Nodal Project, the “flat-fee” method recommended by ERCOT was the preferable option. In its *Order*, the Commission concluded:

The use of the flat-fee method is appropriate as it preserves ERCOT’s target debt ratio, balances the lowest interest costs with payment by those who benefit from the nodal-market implementation, and provides a stable fee with minimal spiking during the collection period.⁷

The testimony of ERCOT CFO Steve Byone explains ERCOT’s conclusion that continued use of the flat-fee method for the revised Nodal Surcharge remains the best financial alternative. Even though the proposed surcharge is higher than the current

⁶ Docket No. 32686, *Order* at 7 (FOF 11).

⁷ *Id.* (FOF 17).

surcharge, the flat-fee method nevertheless still provides the best balance of creating a stable fee that will not spike during the collection period, while at the same time supporting ERCOT's financial stability and target debt/revenue ratio. If the final Nodal Surcharge is implemented expeditiously and at the levels proposed by ERCOT, the flat-fee method remains the preferred alternative.

ERCOT's proposal to continue the flat-fee approach anticipates using a blend of borrowed funds and the Nodal Surcharge to maintain a flat fee from mid-2008 through 2012 (the remainder of the development period and the estimated average useful life of the Nodal Program's assets). This option would result in an increase in financing costs calculated through the end of the expected recovery period of approximately \$8.7 million (from \$33.5 million to \$42.2 million). The portion of the Nodal Program funded during development would decline from approximately 31.5% under the existing authorization to approximately 27.5% with this alternative. This decline is a concern, and was discussed thoroughly by the ERCOT Board's Finance and Audit Committee, but ERCOT and the Board place greater weight on avoiding fee spikes and lengthier recovery periods with additional financing costs.

As discussed in Mr. Byone's testimony, ERCOT considered an approach that would maintain the Nodal Surcharge at \$0.127 per MWh and extend the expected period to collect the fee from 2012 into mid-2014. Under this alternative, 100% debt would be used to finance the additional costs. This alternative would result in an increase in financing costs through the recovery period of approximately \$22.9 million (from \$33.5 million to \$56.4 million). The portion of the Nodal Program funded during development would decline from approximately 31.5% under the existing authorization to approximately 23.5% with this alternative. This alternative yields a total amount to be recovered via the Nodal Surcharge of \$325.5 million (excluding zonal/nodal dependency projects). ERCOT concluded that the additional debt cost, timing of recovery, and overall increase in Nodal Program costs associated with this alternative made it inferior to the approach recommended.

C. Maintain the allocation formula for the Nodal Surcharge and the processes approved by the Commission in Docket No. 32686 for addressing cost changes and a final accounting of Nodal transition costs.

The Commission determined in the Docket No. 32686 *Order* that the interim Nodal Surcharge should be “charge[d] to QSEs representing generation resources, multiplying the surcharge factor . . . by the total net metered generation aggregated to the QSE level.”⁸ As the Commission noted in the Docket No. 32686 *Interim Order*, ERCOT filed with the Commission a formula “to accomplish this allocation in conformance with the Commission’s decision.”⁹ ERCOT implemented billing of the Nodal Surcharge based on this formula on October 1, 2006 (when the interim Nodal Surcharge first became effective). ERCOT continues to take no position regarding how the Nodal Surcharge should be allocated in the abstract, but proposes that the allocation of the revised Nodal Surcharge follow the formula approved by the Commission in Docket No. 32686 to allocate the Nodal Surcharge to QSEs representing generation resources. As a practical matter, it will be operationally simpler to maintain the current allocation formula for the life of the Nodal Surcharge. On the other hand, if the Commission changes its policy determination regarding Nodal Surcharge allocation, ERCOT will work with the Commission and Market Participants to implement the Commission’s decision.

ERCOT is developing information for the Commission’s and Market Participants’ review regarding the allocation of its fees in general (as discussed in the Commission’s recent workshop in Project No. 34889, *Rulemaking Relating to Allocation of the Administrative Fee of the Electric Reliability Council of Texas*). That information is being prepared for presentation as part of ERCOT’s next System Administration Fee filing, and is not presented in the testimony of ERCOT’s witnesses in this proceeding. If the Commission’s review of fee allocation in the next System Administration Fee case results in an order to revise the allocation of the Nodal Surcharge, ERCOT will work with the Commission to determine the appropriate changes to the current collection mechanism established for the Nodal Surcharge.

⁸ *Order* at 8 (FOF 20).

⁹ *Interim Order* at 5-6, n.16.

In Docket No. 32686, the Commission also approved a process for ERCOT to manage cost changes during the course of the Nodal transition. The Commission provided that “ERCOT may initiate Commission proceedings to change the nodal surcharge only if the change in the Nodal Program cost estimate leading to the request is more than 10 percent higher or lower than the amounts presented in this proceeding.”¹⁰ The Commission’s decision calls for Commission review and approval of changes to the Nodal Surcharge, but also permits ERCOT to manage the Nodal Program budget within the 10 percent variance referenced in the Docket No. 32686 Order. This flexibility is important as the Nodal transition nears completion and additional resources may need to be deployed to finish the project. ERCOT requests the Commission affirm this portion of its Docket No. 32686 Orders in this proceeding. The Commission also mandated “ERCOT shall file with the Commission within 12 months after the Nodal market ‘goes live’ and again within 12 months after ERCOT stops collecting the nodal surcharge an accounting of the costs and revenues of implementing the Nodal market.”¹¹ ERCOT requests the Commission also maintain this process as the means of performing a final accounting of the costs of implementing the Nodal market.

III. CONTENTS OF FEE FILING PACKAGE SUPPORTING ERCOT’S REQUEST FOR FINAL NODAL SURCHARGE

In the *Order Nunc Pro Tunc* in Docket No. 32686, as well as in Order Nos. 13 and 14 in the same docket, the Commission permitted ERCOT to forego much of the broader ERCOT “Fee-Filing Package” (FFP), and focus instead on providing information directly relevant to ERCOT’s Nodal Program costs. For example, the FFP approved by the Commission requires extensive “historical test year” information. This historical information is filed to guide the Commission’s evaluation of ERCOT’s requests for changes to its System Administration Fee. Because the transition from the zonal to the nodal market is a one-time occurrence, however, there is no “historical test year” data that sheds light on ERCOT’s expected costs as it completes the nodal transition. The Commission recognized this aberration in Order Nos. 13 and 14 and its *Order Nunc Pro Tunc*, and ordered that certain types of information normally required in an ERCOT SAF

¹⁰ Docket No. 32686, *Order Nunc Pro Tunc*, at 2 (June 13, 2007).

¹¹ *Id.*

proceeding will not be required to support ERCOT's request for approval of a Nodal Surcharge. Consistent with the Commission's prior Orders, ERCOT files the following information herewith in support of its Application for Approval of a Revised Nodal Surcharge. ERCOT submits that the information filed as part of this Application satisfies the Commission's filing requirements for this proceeding.

A. Direct Testimony

In support of its Application, ERCOT files the direct testimony of five witnesses. These witnesses address the changes in the Nodal Program and its budget since the Nodal Surcharge was approved, as well as ERCOT's proposals for funding the current budget estimate. ERCOT's witnesses (listed below) include officers of the organization and leaders of the Nodal Program.

<u>WITNESS</u>	<u>TITLE</u>
Bob Kahn	President and Chief Executive Officer
Ronald J. Hinsley	Vice-President and Chief Information Officer
Steve Byone	Vice-President and Chief Financial Officer
Jerry Sullivan	Executive Director, Texas Nodal Market Implementation Program
Michael W. Petterson	Controller

ERCOT's direct testimony is of "sufficient scope and detail to meet ERCOT's burden of proof to justify the proposed" Nodal Surcharge.¹² ERCOT respectfully requests that, as part of the establishment of a procedural schedule in this docket, ERCOT be given the opportunity to file rebuttal testimony in response to testimony filed by intervenors, Commission Staff, or the Office of Public Utility Counsel ("OPC").

B. Schedules

Pursuant to the requirements of the ERCOT FFP, as adjusted pursuant to the Docket No. 32686 *Order Nunc Pro Tunc* and Order Nos. 13 and 14, ERCOT files herewith the following Schedules. The numbering of the Schedules follows the numbering convention in the ERCOT FFP for Future Test Year Schedules.

¹² See ERCOT Fee-Filing Package, General Instructions, Item 12.

Schedule 1 – Nodal Program Revenue Requirement and Surcharge Summary

- Annual revenue and surcharge requirements for the Nodal Program.
- Quantifies surcharge by use.

Schedule 2 – Summary of Estimated Income Sources

- Details revenue sources and provides anticipated income.

Schedule 3 – Sources & Uses of Funds Summary

- Summarizes annual funding sources and anticipated uses of funds by the Nodal Program.

Schedule 4 – Nodal Program Expenses by Project

- Summarizes program revenue requirements by project and expenditure category.

Schedule 5 – Nodal Program Expenses by Project

- Summarizes budgeted expenses for each project of the Nodal Program.

Schedule 6 – Nodal Program Expenses by Expense Type

- Summarizes budgeted expenses for the Nodal Program by expense type.

Schedule 7 – Nodal Program – 2007 Operating Activity as of December 31, 2007

- Summarizes Nodal Program revenue, operating expenses and allocated interest expenses incurred through December 31, 2007.

Schedule 8 – Nodal Program – Annual Project Expenses as of December 31, 2007

- Summarizes annual Nodal Program expenditures by expense category as of December 31, 2007.

Schedule 9 – Capital Project Budget to Actual Comparison

- Schedule is not required per Docket No. 32686 Order No. 13.

Schedule 10 – ERCOT – Pro Forma Statements of Financial Position

Schedule 11 – ERCOT – Pro Forma Statements of Activities

Schedule 12 – ERCOT – Pro Forma Statements of Cash Flows

Schedule 13 – Financial Analyses

Schedule 14 – Workforce Requirements

- Schedule is not required per Docket No. 32686 Order No. 13.

Schedule 15 – Staffing Activities

- Schedule is not required per Docket No. 32686 Order No. 13.

Schedule 16 – Consultant Activities

- Schedule is not required per Docket No. 32686 Order No. 13.

The listed Schedules are sponsored by the testimony of ERCOT Controller Michael W. Petterson.

C. Workpapers

Pursuant to the requirements of the ERCOT FFP, as adjusted pursuant to Order Nos. 13 and 14, ERCOT files herewith the following Workpapers.

Workpaper 1.1 ERCOT Fee Summary

- Graphical and tabular representation of ERCOT's fees in dollars per MWh.

Workpaper 1.2 - MWh Forecast

- Graphical and table representation of forecasted generation utilized to calculate revenue received from the Nodal Surcharge.

Workpaper 1.3 – Workpaper 1.7 Increase Nodal Surcharge Option (one Workpaper for each option considered)

- Calculation of revised surcharge, interest, and revenue requirement based on various implementation dates.

Workpaper 3.1 – Nodal Program Interest Calculations

- Summarizes calculation of financing charges incurred as a result of Nodal Program expenditures.

Workpaper 3.2 – Zonal/Nodal Dependent Projects

- Summarizes the expected annual cash flows of each zonal/nodal dependent project.

Workpaper 4.1 – Original Budget vs. Current Budget Reconciliation by Expense Type

- Identifies original budget (approved in January, 2007 Nodal Surcharge filing) reallocations by expense type.

Workpaper 4.2 – Workpaper 4.16 - Project Expenses by Expense Type (one Workpaper for each Nodal Program project)

Workpaper 5.1 - Original Budget vs. Current Budget Reconciliation by Project

- Identifies original budget (approved in January, 2007 Nodal Surcharge filing) reallocations by project.

Workpaper 17.1 – Account Listing

- Lists ERCOT's general ledger chart of accounts.

Workpaper 17.2 - Nodal Program Project Listing

- Numerical listing of Nodal Program projects utilized in the ERCOT financial system for expenditure tracking and reporting.

Workpaper 17.3 - ERCOT Time Tracking Activity Listing

- Listing of work activities utilized to record, track, and report resource efforts.

IV. NOTICE

Pursuant to Commission rule,¹³ ERCOT will provide notice of this Application by electronic mail to all entities subject to the ERCOT System Administration Fee, as identified through current information available to ERCOT, and to all intervenors in Docket No. 32686 and Docket No. 31824, *Application of the Electric Reliability Council of Texas for Approval of the ERCOT System Administrative Fee*. In addition, ERCOT will post this Notice and a copy of its Application on its web site at http://www.ercot.com/about/governance/legal_notices.html. A copy of ERCOT's Notice is attached hereto as Attachment A.

V. EFFECTIVE DATE

ERCOT respectfully requests that the Commission make the revised Nodal Surcharge effective no later than June 1, 2008.

VI. BUSINESS ADDRESS

ERCOT's business address and telephone number are: Electric Reliability Council of Texas, Inc., 7620 Metro Center Drive, Austin, Texas 78744, and (512) 225-7000.

¹³ PUCT PROC. R. §22.252(d).

VII. AUTHORIZED REPRESENTATIVES

ERCOT's authorized representatives for service of all pleadings and other documents are:

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VIII. PRAYER FOR RELIEF

WHEREFORE, for all the reasons stated, ERCOT respectfully requests that the Commission: (i) approve ERCOT's proposed Revised Nodal Surcharge; (ii) approve ERCOT's proposed form of notice; (iii) convene a Prehearing Conference in this docket as soon as practicable for purposes of establishing a procedural schedule; and (iv) grant ERCOT such other relief to which it may show itself to be entitled.

Respectfully submitted,

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ATTORNEYS FOR ELECTRIC
RELIABILITY COUNCIL OF TEXAS, INC.

Certificate of Service

I hereby certify that a copy of ERCOT's Application for Approval of Revised Nodal Market Implementation Surcharge was filed with the Commission and was served on all parties of record to Docket No. 32686 and Docket No. 31824 on March 6, 2008 by hand delivery, electronic mail, or first class U.S. mail.

Bill Magness

ATTACHMENT A: PROPOSED FORM OF NOTICE

DOCKET NO. 35428

ERCOT APPLICATION FOR	§	PUBLIC UTILITY COMMISSION
APPROVAL OF A REVISED NODAL	§	
MARKET IMPLEMENTATION	§	OF TEXAS
SURCHARGE	§	

NOTICE

On March 6, 2008, Electric Reliability Council of Texas, Inc. (ERCOT) filed with the Public Utility Commission of Texas (Commission) its Application for Approval of a Revised Nodal Market Implementation Surcharge (Nodal Surcharge). The purpose of the Nodal Surcharge is to fund the personnel, software, equipment, training and services necessary to timely and economically develop and implement a high quality and reliable Nodal Market. In May 2007, in Docket No. 32686, the Commission approved a Nodal Surcharge in the amount of \$0.127 per megawatt hour (MWh), to be charged to QSEs representing generation resources. The Nodal Surcharge is calculated by multiplying the surcharge factor of \$0.127/MWh by the total net metered generation aggregated to the QSE level. ERCOT requests that it be authorized to increase the Nodal Surcharge to \$0.169/MWh, effective no later than June 1, 2008. ERCOT requests that the Commission increase the Nodal Surcharge so that ERCOT may recover additional costs of the Nodal Program not included in the estimates available when the \$0.127/MWh Nodal Surcharge was approved in Docket No. 32686. The ERCOT Board of Directors approved ERCOT's filing for a Revised Nodal Surcharge at its January 15, 2008 meeting.

The deadline for intervention in the proceeding is _____, 2008.

Persons who wish to intervene in or comment in this proceeding should notify the Public Utility Commission of Texas by the intervention deadline. A request to intervene or for further information should be mailed to the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326. A request to intervene shall include a statement of position containing a concise statement of the requestor's position on the

application, a concise statement of each question of fact, law, or policy that the requestor considers at issue and a concise statement of the requestor's position on each issue identified.

ERCOT has posted this notice and a copy of its Nodal Surcharge Application on its web site at http://www.ercot.com/about/governance/legal_notices.html. Interested parties may also access ERCOT's Application for a Nodal Surcharge through the Public Utility Commission's web site at <http://www.puc.state.tx.us> under Docket No. _____, *ERCOT Application for Approval of a Revised Nodal Market Implementation Surcharge*.