



Date: September 9, 2008
To: ERCOT Board of Directors
From: Mark Dreyfus, Technical Advisory Committee (TAC) Chair
Subject: Protocol Revision Requests (PRRs)

Issue for the ERCOT Board of Directors

ERCOT Board of Directors (ERCOT Board) Meeting Date: September 16, 2008

Agenda Item No.: 10b

Issue:

Consideration of PRR743, TCR Transition to CRR and PRR772, Description of MCPE Cap and Shadow Price Cap Methodology.

Background/History:

Unless otherwise noted: (i) all Market Segments were present for each vote and (ii) ERCOT Credit Staff and the Credit Work Group (Credit WG) have reviewed the revision requests and do not believe it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR743, TCR Transition to CRR. Proposed effective date: October 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 inserts provisions for Settlement during the transition from Transmission Congestion Rights (TCRs) to Congestion Revenue Rights (CRRs) based on the current nodal implementation timeline. On October 29, 2007, PRR743 and its Impact Analysis were posted. On December 13, 2007, the Protocol Revision Subcommittee (PRS) unanimously voted to table PRR743. On January 17, 2008, PRS unanimously voted to recommend approval of PRR743 as revised by ERCOT comments. On February 21, 2008, PRS reviewed the Impact Analysis and unanimously voted to forward PRR743 to TAC. On March 6, 2008, TAC unanimously voted to recommend approval of PRR743 as recommended by PRS. On April 15, 2008, the ERCOT Board Chairman instructed TAC to address how to handle refunds if the nodal market is not implemented on December 1, 2008. On August 21, 2008, PRS voted to recommend approval of PRR743 as amended by the Commercial Operations Subcommittee (COPS) comments. There was one (1) abstention from the Independent Generator Market Segment. On September 4, 2008, TAC unanimously voted to recommend approval of PRR743 as recommended by PRS.
- ***PRR772, Description of MCPE Cap and Shadow Price Cap Methodology - URGENT [ERCOT]. Proposed effective date: October 1, 2008. Minor cost impact, managed under the operations and management (O&M) budgets of affected departments. The system changes required by this PRR are already in place. Approval of this PRR will not trigger additional budget impacts; no additional full-time equivalents needed; minor***



system modifications to Scheduling, Pricing, and Dispatch (SPD) system; required; existing business processes can accommodate this PRR; no impact to grid operations. This PRR clarifies ERCOT's authority to take action to ensure that the Market Clearing Price of Energy (MCPE) does not exceed the system-wide offer cap established by the Public Utility Commission of Texas (PUCT) in P.U.C. SUBST. R. 25.505, Resource Adequacy in the Electric Reliability Council of Texas Power Region. This PRR also proposes that the methodology to make the price adjustments be described in a separate document and that Market Participants be notified of any changes in the Shadow Price caps. In addition, this PRR proposes to change the section title in Section 6.11.1, Balancing Energy Offer Cap Floor, to Balancing Energy Offer Floor, to avoid confusion. A similar change is proposed for Section 6.11.2. PRR772 was posted on July 25, 2008. On July 30, 2008, PRS granted PRR772 Urgent status via email vote. On August 21, 2008, PRS recommended approval of PRR772 as amended by Austin Energy comments and as revised by PRS. On September 4, 2008, TAC unanimously voted to recommend approval of PRR772 as recommended by PRS. *Credit review is pending.*

The TAC Recommendation Reports and Impact Analyses for these PRRs are included in the ERCOT Board meeting materials. In addition, these PRRs and 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 PRS met, discussed the issues and submitted a recommendation report to TAC regarding PRR743 and PRR772. TAC considered the issues and voted to take action on PRR743 and PRR772 as described above.

Alternatives:

1. Approve the TAC recommendation on PRR743 and/or PRR772;
2. Reject the TAC recommendation; or
3. Remand PRR743 and/or PRR772 to TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC recommends that the ERCOT Board approve PRR743 and PRR772.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
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 PRR743, TCR Transition to CRR, and PRR772, Description of MCPE Cap and Shadow Price Cap Methodology.

THEREFORE be it RESOLVED, that the Board hereby approves PRR743 and PRR772.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its September 16, 2008 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by a vote of _____.

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

Michael G. Grable
Corporate Secretary