



Date: October 14, 2008
To: Board of Directors
From: Paul Wattles, ERCOT Staff
Subject: MOS Price Cap Description Document

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: October 21, 2008

Agenda Item No.: 7c

Issue:

PRR 772 was passed at the Meeting of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) held on September 16, 2008. PRR 772 required a Board-approved process for making price adjustments in a Market Operations Bulletin. Attachment A is the Market Operations Bulletin that was inadvertently omitted from the Board packet for the September 16, 2008 Board Meeting

Background/History:

Section 7.1 (Overview of ERCOT Congestion Management) of the ERCOT Protocols requires that ERCOT shall describe an ERCOT Board-approved process for making price adjustments in a Market Operations Bulletin that will be posted on the Market Information System Public Area. The bulletin must describe the process used for capping Market Clearing Prices of Energy (MCPE) and adjusting Shadow Prices accordingly, in order to keep such prices in alignment with the clarified intent of Public Utility Commission of Texas (PUCT) Rules.

Attachment A represents a draft of the Market Operations Bulletin that was presented at the Sept. 4, 2008, TAC Meeting and was endorsed unanimously by TAC members by voice vote, with all voting segments present; and a notice provision regarding pending Board approval was added by ERCOT staff after the September 16, 2008 Board meeting.

ERCOT Staff has posted a draft of this Attachment A, clearly marked that Board approval is pending.

Key Factors Influencing Issue:

Compliance with clarified intent of the PUCT that MCPEs should never exceed the prevailing system-wide offer cap, and the need for Shadow Prices to remain in alignment with MCPEs that are capped by ERCOT's Scheduling, Pricing and Dispatch software.

Alternatives:

None.



<p><u>Conclusion/Recommendation:</u></p>

<p>ERCOT Staff respectfully recommends Board ratification and approval of the Market Operations Bulletin as drafted in Attachment A.</p>
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ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to approve the Market Operations Bulletin that supported PRR 772 which was passed at the ERCOT Board meeting held on September 16, 2008 and that currently supports Section 7.1 (Overview of ERCOT Congestion Management) of the ERCOT Protocols.

NOW, THEREFORE, BE IT RESOLVED, that the Market Operations Bulletin, which is attached hereto as Attachment A., is hereby ratified and approved in each and every aspect to be accepted by ERCOT as the Market Operations Bulletin of Section 7.1 (Overview of ERCOT Congestion Management) of the ERCOT Protocols.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its October 21, 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