



Date: November 10, 2008
To: ERCOT Board of Directors
From: Mark Dreyfus, Technical Advisory Committee (TAC) Chair
Subject: Nodal Protocol Revision Requests (NPRRs)

Issue for the ERCOT Board of Directors

ERCOT Board of Directors (ERCOT Board) Meeting Date: November 17, 2008

Agenda Item No.: 11b

Issue:

Consideration of the following NPRRs:

- NPRR128, Combined Cycle Power Blocks with Multiple Voltage Interconnections
- NPRR134, Section 7 Cleanup
- NPRR136, Interim Solution for 15-Minute Settlement of Advanced Meters
- NPRR138, Credit Monitoring and Management Reports
- NPRR139, ACL, EAL, FCE Calculation Updates
- NPRR143, Section 9.9.1, Invoice Recipient Payment to ERCOT for the CRR Auction
- NPRR145, PPAs as Resource-Specific Verifiable Costs Documentation
- NPRR148, Treatment of Financial Information as Confidential
- NPRR150, Responsive Reserve Service Offer Floor

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 request and do not believe it requires changes to credit monitoring activity or the calculation of liability.

- ***NPRR128 – Combined Cycle Power Blocks with Multiple Voltage Interconnections [Calpine]. Proposed effective date: upon Texas Nodal Market Implementation. Incremental cost to Nodal project (\$100K – \$150K); no ERCOT staffing impacts; impacts to ERCOT Systems include the Market Management System (MMS); no impacts to business functions; no significant impact to grid operations.*** This NPRR eliminates the unnecessary restriction that requires all Generation Resources in a combined cycle power block to be connected to the bulk electric system at the same voltage level. This change must be made for similarly-situated combined cycle units to effectively participate in the very important nodal 168-hour test. Re-done Resource Asset Registration Forms (RARFs) must also be constructed and validated prior to implementing these changes. NPRR128 was posted on April 25, 2008. On May 22, 2008, the Protocol Revision Subcommittee (PRS) unanimously voted to refer NPRR128 to the Texas Nodal Transition Plan Task Force (TPTF) for review. On June 19, 2008, PRS unanimously voted to recommend approval of NPRR128 as submitted. On July 17, 2008, PRS unanimously voted to table NPRR128 pending development of an Impact Analysis. On September 24, 2008, PRS unanimously voted to

recommend approval of the PRS Recommendation Report as revised by ERCOT comments. On October 23, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On November 6, 2008, TAC unanimously voted to recommend approval of NPRR128 as recommended by PRS.

- ***NPRR134 – Section 7 Cleanup [TPTF]. Proposed effective date: upon Texas Nodal Market Implementation.*** Incremental cost to Nodal Project (\$500K - \$1M); no ERCOT staffing impacts; impacts to ERCOT Systems include MMS and Commercial Systems (COMS)/Settlement & Billing; impacts quantity of McCamey Flowgate Rights (MCFRIs) allocated to the market; no impacts to grid operations. This NPRR adds clarifications to the variables that are used in setting McCamey flowgates and proposes corrections to flowgate formulae and clarifying variables and subscripts. This NPRR also proposes revisions that streamline the OBLRACT and OPTRACT calculations, but maintain the intent of the original calculations. NPRR134 was posted on June 5, 2008. On June 19, 2008, PRS unanimously voted to recommend approval of NPRR134 as submitted. On July 17, 2008, PRS unanimously voted to table NPRR134 pending development of an Impact Analysis. On September 24, 2008, PRS continued to table NPRR134 until the October 23, 2008 PRS meeting pending development of an Impact Analysis. On October 23, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On November 6, 2008, TAC unanimously voted to recommend approval of NPRR134 as recommended by PRS.
- ***NPRR136 – Interim Solution for 15-Minute Settlement of Advanced Meters [AEP]. Proposed effective date: upon Texas Nodal Market Implementation.*** No incremental cost to ERCOT – funded by zonal project, PR_80027_01, Advanced Metering – MKT Changes for PUCT 34610; no impact to ERCOT staffing; will require coordination of ERCOT COMS and Market Information System (MIS) testing environments to avoid Nodal schedule risk – considered to be a manageable risk with no impact to Nodal critical path at this time; no additional high-level impacts to business functions are anticipated; no additional high-level impacts to grid operations are anticipated. This NPRR will support the interim settlement of all provisioned Advanced Meters using actual fifteen minute data, the same way Interval Data Recorder (IDR) meters are settled today, until the long-term solution developed by Project 34610, Implementation Project Relating to Advanced Metering, or future rulemakings is implemented. NPRR136 was posted on June 20, 2008. On July 17, 2008, PRS unanimously voted to table NPRR136 pending approval of PRR766. On September 24, 2008, PRS unanimously voted to recommend approval of NPRR136 as amended by ERCOT comments and change the status to “Needed for Go-Live.” On October 23, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On November 6, 2008, TAC unanimously voted to recommend approval of NPRR136 as recommended by PRS.
- ***NPRR138 – Credit Monitoring and Management Reports [Credit WG]. Proposed effective date: upon Texas Nodal Market Implementation.*** No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; existing business processes can

accommodate this NPRR; no impact to grid operations and practices. This NPRR will require ERCOT to post on the MIS Certified Area, each active Counter-Party's Credit Monitoring and Management related reports twice a day (by noon and end of day) on Business Days. NPRR138 was posted on July 11, 2008. On August 21, 2008, PRS voted to recommend approval of NPRR138 as amended by TPTF comments with one abstention from the Consumer Market Segment. On September 24, 2008, PRS tabled NPRR138 until the October 23, 2008 PRS meeting pending development of an Impact Analysis. On October 23, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On November 6, 2008, TAC unanimously voted to recommend approval of NPRR138 as recommended by PRS.

- ***NPRR139 – ACL, EAL, FCE Calculation Update [Credit WG]. Proposed effective date: upon Texas Nodal Market Implementation.*** Incremental cost to Nodal project (\$50K – \$100K); no ERCOT staffing impacts; impacts to ERCOT Systems include the Credit Monitoring and Management (CMM) system; no high-level impacts to business functions; no high-level impacts to grid operations. This NPRR excludes Congestion Revenue Right (CRR) activity from Daily Liability Extrapolated (DALE) and Average Daily Transaction Extrapolated (ADTE) calculations, eliminates “two day” requirement for prepay, and also ERCOT to use appropriate auction clearing prices if the Day-Ahead Market (DAM) is executed but specific DAM Settlement Point Prices are not available. This NPRR also removes 90% from the Available Credit Limit (ACL) definition. NPRR139 was posted on July 11, 2008. On August 21, 2008, PRS unanimously voted to refer NPRR139 to the TPTF for review. On September 24, 2008, PRS unanimously voted to recommend approval of NPRR139 as amended by TPTF comments. On October 23, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On November 6, 2008, TAC unanimously voted to recommend approval of NPRR139 as recommended by PRS.
- ***NPRR143 – Section 9.9.1, Invoice Recipient Payment to ERCOT for the CRR Auction [ERCOT]. Proposed effective date: upon Texas Nodal Market Implementation.*** No incremental cost to ERCOT; no impacts to ERCOT staffing; No impacts to computer systems; no impact to business functions; no impact to grid operations and practices. This NPRR corrects conflicting language in Section 9.9.1 and Section 16.11.6.1.5, Declaration of Forfeit of CRRs, by removing language regarding forfeiture of Congestion Revenue Rights (CRRs) from Section 9.9.1. NPRR143 was posted on July 25, 2008. On August 21, 2008, PRS unanimously voted to refer NPRR143 to the TPTF for review. On September 24, 2008, PRS unanimously voted to recommend approval of NPRR143 as submitted. On October 23, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On November 6, 2008, TAC unanimously voted to recommend approval of NPRR143 as recommended by PRS.
- ***NPRR145 – PPAs as Resource-Specific Verifiable Costs [Verifiable Costs Working Group (VCWG)]. Proposed effective date: upon Texas Nodal Market Implementation.*** Minor cost impacts will be managed under the Operations and Management (O&M)

budgets of affected department post Nodal Go-Live; ¼ FTE impact to Settlement and Billing area post Nodal Go-Live; no impacts to computer systems; existing business processes can accommodate NPRR145; no impact to grid operations and practices. This NPRR allows Power Purchase and Tolling Agreements (PPAs) to be used as Resource-specific verifiable costs documentation. NPRR145 was posted on July 25, 2008. On August 21, 2008, PRS voted to table NPRR145 until the September 18, 2008 PRS meeting with two (2) abstentions from the Investor-Owned Utility (IOU) and Independent Power Marketer (IPM) Market Segments. On September 24, 2008 PRS voted to recommend approval of NPRR145 as amended by WMS comments and as revised by PRS. There were three (3) opposing votes from the IPM, IOU, and Consumer Market Segments and one (1) abstention from the IOU Market Segment. On October 23, 2008, PRS voted to endorse and forward the Impact Analysis and the PRS Recommendation Report as amended by Reliant comments and as revised by PRS to TAC for approval. There were two (2) abstentions from the Consumer and Independent Generator Market Segments. On November 6, 2008, TAC unanimously voted to recommend approval of NPRR145 as recommended by PRS.

- ***NPRR148 – Treatment of Financial Information as Confidential [J. Aron]. Proposed effective date: upon Texas Nodal Market Implementation.*** *No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; existing business processes can accommodate this NPRR; no impact to grid operations and practices.* This NPRR clarifies that non-public financial information provided to ERCOT is to be treated as Protected Information. NPRR148 was posted on August 15, 2008. On September 24, 2008, PRS unanimously voted to recommend approval of NPRR148 as amended by the September 2, 2008 TPTF comments. On October 23, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On November 6, 2008, TAC unanimously voted to recommend approval of NPRR148 as amended by J. Aron comments.
- ***NPRR150 – Responsive Reserve Service Offer Floor [WMS]. Proposed effective date: upon Texas Nodal Market Implementation.*** *No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; no high-level impacts to business processes; no high-level impacts to grid operations and practices.* This NPRR continues the zonal Protocol provision which prohibits negative offers to provide RRS, thus avoiding substantial credit risk. NPRR150 was posted on August 28, 2008. On September 24, 2008, PRS voted to recommend approval of NPRR150 as submitted. There were four (4) abstentions from the Generator, IPM, and IOU (2) Market Segments. On October 23, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On November 6, 2008, TAC voted to recommend approval of NPRR150 as amended by ERCOT comments with two (2) abstentions from the Generator and IPM Market Segments. *The Credit WG has reviewed NPRR150 and believes that it provides positive credit implications that have the potential to prevent large negative bids which can reduce credit exposure or liability for QSEs in the ERCOT Region.*

The TAC Recommendation Reports and Impact Analyses for these NPRRs are included in the



ERCOT Board meeting materials. In addition, these NPRRs and 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 PRS met, discussed the issues, and submitted recommendation reports to TAC regarding the NPRRs described herein. TAC considered the issues and voted to take action on these NPRRs as described above.

Alternatives:

1. Approve the TAC recommendation on NPRR128, NPRR134, NPRR136, NPRR138, NPRR139, NPRR143, NPRR145, NPRR148, and/or NPRR150 as described above or as modified by the ERCOT Board;
2. Reject the TAC recommendation; or
3. Remand NPRR128, NPRR134, NPRR136, NPRR138, NPRR139, NPRR143, NPRR145, NPRR148, and/or NPRR150 to TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC recommends that the ERCOT Board approve NPRR128, NPRR134, NPRR136, NPRR138, NPRR139, NPRR143, NPRR145, NPRR148, and/or NPRR150 as described herein.



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: NPRR128, Combined Cycle Power Blocks with Multiple Voltage Interconnections; NPRR134, Section 7 Cleanup; NPRR136, Interim Solution for 15-Minute Settlement of Advanced Meters; NPRR138, Credit Monitoring and Management Reports; NPRR139, ACL, EAL, FCE Calculation Updates; NPRR143, Section 9.9.1, Invoice Recipient Payment to ERCOT for the CRR Auction; NPRR145, PPAs as Resource-Specific Verifiable Costs Documentation; NPRR148, Treatment of Financial Information as Confidential; and, NPRR150, Responsive Reserve Service Offer Floor.

THEREFORE be it RESOLVED, that the ERCOT Board hereby approves NPRR128, NPRR134, NPRR136, NPRR139, NPRR143, NPRR145, NPRR148, and NPRR150.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation, do hereby certify that, at its November 17, 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