



Date: July 13, 2010
To: ERCOT Board of Directors
From: Brad Jones, Technical Advisory Committee (TAC) Chair
Subject: Nodal Protocol Revision Requests (NPRRs) Tabled at the ERCOT Board

Issue for the ERCOT Board of Directors

ERCOT Board of Directors (ERCOT Board) Meeting Date: July 20, 2010

Agenda Item No.: 16c

Issue:

Consideration of the following NPRRs:

- NPRR091 – Scarcity Pricing and Mitigated Offer Cap During the Period Commencing on the Nodal Market Implementation Date and Continuing for a Total of forty-five (45) Days
- NPRR222 – Half-Hour Start Unit Reliability Unit Commitment (RUC) Clawback (Companion to NPRR207)

Background/History:

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

- **NPRR091 – Scarcity Pricing and Mitigated Offer Cap During the Period Commencing on the Nodal Market Implementation Date and Continuing for a Total of 45 Days [Transition Plan Task Force (TPTF)].**

Proposed Effective Date: Upon Texas Nodal Market Implementation.

Chief Executive Officer (CEO) Determination: No opinion on whether or not NPRR091 is necessary prior to the Texas Nodal Market Implementation Date.

ERCOT Impact Analysis: Estimated cost in the \$50,000 to \$100,000 range; temporary staffing impacts to develop functionality; ERCOT Market Management System (MMS) and Market Information System (MIS) will be modified for implementation of NPRR091; no significant additional high-level impacts to business functions or grid operations and practices are anticipated.

Revision Description: This NPRR adds a provision to Section 3.19, Constraint Competitiveness Tests, that all transmission constraints are treated as non-competitive constraints during an initial thirty (30) Operating Day period, beginning with the Texas Nodal Market Implementation Date; and a new Section 4.4.11.2, Scarcity Pricing and Mitigated Offer Cap During Nodal Startup, which requires that the System-Wide Offer Cap (SWCAP) be set to the higher of \$180 or 18 million British thermal units (mmBtu) heat rate times the Fuel Index Price (FIP) during an initial forty-five (45) Operating Day period, beginning with the Texas Nodal Market Implementation Date. This new Section also establishes an Energy Offer Curve floor adjusted to -\$50 per megawatt hour (MWh).

Procedural History: NPRR091 was posted on December 5, 2007. On December 13, 2007, the Protocol Revision Subcommittee (PRS) unanimously voted to table NPRR091. On

January 17, 2008, PRS voted to table NPRR091 until the February 21, 2008 PRS meeting. The motion passed with one (1) abstention from the Independent Retail Electric Provider (IREP) Market Segment. On February 21, 2008, PRS voted to set the values of the X at \$180 per MWh with a heat rate of 18 mmBtu per MWh, and establish an Energy Offer Curve floor of -\$50 per MWh. The motion passed by roll call vote. On March 20, 2008, PRS unanimously voted to table NPRR091 pending development of the final Impact Analysis. On May 22, 2008, PRS unanimously voted to table NPRR091 pending development of the final Impact Analysis. On July 17, 2008, PRS voted to endorse the Impact Analysis and PRS Recommendation Report for NPRR091 and forward the documents to TAC. There was one (1) opposing vote from the Consumer Market Segment and one (1) abstention from the Investor Owned Utility (IOU) Market Segment. On August 7, 2008, TAC voted to table NPRR091 until the TAC meeting following the establishment of a revised Texas Nodal Market Implementation Date. There were four (4) opposing votes from the Consumer Market Segment. On January 6, 2010, TAC voted to table NPRR091 for one (1) month. There was one (1) opposing vote from the IREP Market Segment. On February 4, 2010, the motion to recommend approval of NPRR091 as recommended by PRS in the July 17, 2008 PRS Report and as revised by TAC failed via roll call vote. TAC then voted to table NPRR091 for one (1) month. There was one (1) opposing vote from the IREP Market Segment. On March 4, 2010, TAC unanimously voted to table NPRR091 and request that the Wholesale Market Subcommittee (WMS) provide comments on the Options under consideration. On April 8, 2010, TAC unanimously voted to recommend approval of NPRR091 as recommended by PRS in the July 17, 2008 PRS Report and as amended by the March 29, 2010 WMS comments. TAC then unanimously voted to reconsider NPRR091. Upon reconsideration, TAC unanimously voted to refer NPRR091 to WMS. On June 3, 2010, TAC unanimously voted to recommend approval of NPRR091 as amended by the May 26, 2010 WMS comments. On June 15, 2010, the ERCOT Board tabled NPRR091.

- **NPRR222 – Half-Hour Start Unit RUC Clawback (Companion to NPRR207) [WMS].**
Proposed Effective Date: Post Texas Nodal Market Implementation Date.
CEO Determination: Not necessary prior to the Texas Nodal Market Implementation Date.
ERCOT Impact Analysis: To be determined; Due to “Not Needed for Go-Live” designation by the ERCOT CEO, the Impact Analysis for this item will be conducted at a future date.
Revision Description: This NPRR removes RUC Clawback on all Half-Hour Start Units (a) that participate in the Day-Ahead Market (DAM) and (b) during Energy Emergency Alert (EEA) events. This NPRR also changes the RUC Clawback on all Half-Hour Start Units that did not participate in the DAM to fifty percent (50%).
Procedural History: NPRR222 was posted on April 22, 2010. On April 22, 2010, PRS unanimously voted to recommend approval of NPRR222 as submitted. On May 20, 2010, PRS unanimously voted to endorse and forward the April 22, 2010 PRS Report and Impact Analysis for NPRR222 to TAC and to recommend a priority of High. On June 3, 2010, TAC unanimously voted to recommend approval of NPRR222 as recommended by PRS in the May 20, 2010 PRS Report and to recommend a priority of High. On June 15, 2010, the ERCOT Board tabled NPRR222.



The TAC Reports, Impact Analyses, and CEO Revision Request Reviews 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:

PRS met, discussed the issues, and submitted reports to TAC regarding the NPRRs described herein. TAC considered the issues and voted to take action on the NPRRs as described above. The ERCOT Board tabled the NPRRs described herein at its June 15, 2010 meeting.

Alternatives:

1. Approve the TAC recommendation on NPRRs 091 and/or 222 as described above or as modified by the ERCOT Board;
2. Reject the TAC recommendation on NPRRs 091 and/or 222;
3. Defer decision on the TAC recommendation on NPRRs 091 and/or 222; or
4. Remand NPRRs 091 and/or 222 to TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC recommends that the ERCOT Board approve NPRRs 091 and 222 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 the following NPRRs:

- NPRR091 – Scarcity Pricing and Mitigated Offer Cap During the Period Commencing on the Nodal Market Implementation Date and Continuing for a Total of forty-five (45) Days
- NPRR222 – Half-Hour Start Unit RUC Clawback (Companion to NPRR207)

THEREFORE be it RESOLVED, that the ERCOT Board hereby approves NPRRs 091 and 222.

CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Interim Corporate Secretary of ERCOT, do hereby certify that, at its July 20, 2010 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of July, 2010.

Bill Magness
Interim Corporate Secretary