



Date: July 13, 2010
To: Board of Directors
From: Mike Cleary, Senior Vice President and Chief Operating Officer
Subject: Network Operations Model Go-Live

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: July 20, 2010

Agenda Item No.: 17

Issue:

ERCOT Board of Directors (Board) approval is sought to certify that all Market Readiness Criteria have been met for Network Operations Model go-live on September 1, 2010.

With this approval, ERCOT will issue the Protocol required 30-day and 10-day Notices to alert Market Participants of the Nodal Protocol Sections which will become effective on September 1, 2010.

Background/History:

Zonal Protocol Section 21.12.3, Notice to Market Participants of Effective Date for Nodal Protocol Provisions and Retirement of Zonal Protocol Provision, states the following:

No part of the nodal market design may start operation until all the Market Readiness Criteria for that part of the nodal market design have been met. Certification that all Market Readiness Criteria have been met must be made at least by each of the following: the Technical Advisory Committee (TAC), ERCOT and the ERCOT Board.

Certain provisions of the Nodal Protocols must be effectuated in advance of the operating day to be prepared for full market operation on December 1, 2010.

Key Factors Influencing Issue:

ERCOT Management used the following criteria prior to providing its certification that all Market Readiness Criteria had been met for the Network Operations Model:

- ***System Readiness*** – an evaluation of a particular system needed to support identified market activities
 - Single Entry Model go-live completed 8/31/09
 - Transmission Service Provider Model Validation (Metric MP14C) completed 4/30/10
 - Model change request tools support market updates ongoing
 - Regular model loads into market trials systems ongoing
 - Eight hour Load Frequency Test executed with Network Operations Model from NMMS on 6/17/10
- ***Process Readiness*** – an evaluation of the processes and procedures necessary to support identified market activities



- Network operations change request timeline transition plan established
- Network modeling procedures scheduled to be completed 8/1/10
- Protocol transition plan for September drafted and scheduled to be reviewed at the 7/8/10 Nodal Advisory Task Force (NATF)
- ***People Readiness*** – an evaluation of ERCOT and Market Participant capabilities to support identified market activities
 - ERCOT staff continue to gain experience through the support of Market Trials
 - Completion of ERCOT Staff training on system and processes on 6/22/10
 - Market Participant training delivered 7/29/10

ERCOT reviewed the readiness criteria at the June 23, 2010 NATF and the July 1, 2010 TAC meetings. TAC unanimously voted to hold a special TAC meeting on July 20, 2010 to consider Market Readiness Criteria for the Network Operations Model go-live. On July 8, 2010, NATF again reviewed the readiness criteria and voted to recommend to TAC that the Network Operations Model readiness criteria have been met. There were two (2) abstentions from the Consumer Market Segment. TAC will again consider this matter immediately prior to the ERCOT Board meeting at 7:00 a.m. on July 20, 2010.

Alternatives:

ERCOT Staff does not believe there are any viable alternatives available at this time as certain Nodal Protocol provisions must be effective 90 days in advance to prepare for the first operating day, December 1, 2010.

Conclusion/Recommendation:

ERCOT staff respectfully requests that the ERCOT Board certify that all Market Readiness Criteria have been met for Network Operations Model go-live on September 1, 2010.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, Protocols Section 21.12.3 (Notice to Market Participants of Effective Date for Nodal Protocol Provisions and Retirement of Zonal Protocol Provisions) requires that the Technical Advisory Committee (TAC), Electric Reliability Council of Texas, Inc. (ERCOT) and the ERCOT Board of Directors (Board) certify that all Market Readiness Criteria have been met prior to implementing any nodal market design activities;

WHEREAS, on July 20, 2010, prior to the Board's regularly-scheduled meeting of the same date, TAC approved certification that all Market Readiness Criteria have been met for Network Operations Model go-live on September 1, 2010;

WHEREAS, ERCOT staff has also certified that all Market Readiness Criteria have been met for Network Operations Model go-live on September 1, 2010;

WHEREAS, after due consideration of the alternatives, the Board deems it desirable and in the best interest of ERCOT to approve and certify that all Market Readiness Criteria have been met for Network Operations Model go-live on September 1, 2010;

THEREFORE, BE IT RESOLVED, that the Board hereby authorizes and approves certification that all Market Readiness Criteria have been met for Network Operations Model go-live on September 1, 2010.

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 _____, 2010.

Bill Magness
Interim Corporate Secretary