



Date: August 10, 2010
To: Board of Directors
From: Mike Cleary, Senior Vice President and Chief Operating Officer
Subject: Congestion Revenue Rights (CRR) Go-Live – Market Readiness Criteria Certification

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: August 17, 2010

Agenda Item No.: 13a

Issue:

ERCOT Board approval is sought to certify that all Market Readiness Criteria have been met for CRR Go-Live in October 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 throughout a series of dates in October 2010 to support CRR functionality.

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 Congestion Revenue Rights:

- ***System Readiness*** – an evaluation of a particular system needed to support identified market activities
 - CRR system released to Market Trials 2/1/10
 - CRR integrated in Market Trials 5/1/10
 - CRR Account Holder Connectivity Qualification MP 15 (B) currently has a Red status due to Market Participants registering but not working to qualify (inflates the metric denominator). Planned completion scheduled for 9/17/10
 - Operation of CRR Auctions and Allocations (CRR3) is currently Green



- Verification of CRR Auction Invoices (CO8) is currently Green
- ***Process Readiness*** – an evaluation of the processes and procedures necessary to support identified market activities
 - CRR procedures completed 6/25/10
 - Nodal Protocol Transition Plan updates for CRR completed 7/29/10
 - TCR to CRR Transition Plan (CRR4) completed 9/29/09
- ***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 6/25/10
 - Market Participant training delivered 7/15/10

ERCOT reviewed the readiness criteria at the August 3, 2010 Nodal Advisory Task Force (NATF) meeting and NATF unanimously voted to recommend to TAC that, based on a review of ERCOT testing and presented mitigation plans for known issues, stability of workarounds, and pending ERCOT Management signoff, TAC certify that the CRR Market Readiness Criteria have been met. ERCOT staff provided its Section 21.12.3 certification document, attached hereto as Exhibit A, to TAC prior to TAC's consideration of this issue and on August 5, 2010 TAC voted unanimously on a resolution, attached hereto as Exhibit B, to certify that all Market Readiness Criteria have been met for purposes of Section 21.12.3 regarding Congestion Revenue Rights in October 2010.

Alternatives:

ERCOT staff respectfully believes that there are no favorable alternatives other the first alternative; however, the following options are within the Board's discretion:

- Certify that all Market Readiness Criteria have been met for Congestive Revenue Rights Go-Live in October 2010 to allow for certain Nodal Protocol provisions to become effective for subsequent Nodal Go-Live on December 1, 2010;
- Defer such certification until a later time which would put the timeliness of the anticipated Nodal Go-Live date of December 1, 2010 at increasingly high risk; or
- Deny such certification in its entirety which would wholly impede Nodal Go-Live efforts.

Conclusion/Recommendation:

ERCOT staff respectfully requests that the ERCOT Board certify that all Market Readiness Criteria have been met for Congestion Revenue Rights Go-Live in October 2010.



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

WHEREAS, ERCOT Protocol Section 21.12.3, Notice to Market Participants of Effective Date for Nodal Protocol Provisions and Retirement of Zonal Protocol Provisions, provides that before a “part of the nodal market design may start operation,” a vote of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) is required affirming that the “Market Readiness Criteria for that part of the nodal market design have been met”;

WHEREAS, the Section 21.12.3 certification by the Technical Advisory Committee (TAC), ERCOT staff, and the ERCOT Board regarding the satisfaction of “Market Readiness Criteria” for a particular part of the nodal market design will result in ERCOT issuing “two Notices alerting Market Participants to the effective date of Nodal Protocol sections and the retirement of Zonal Protocol sections, as applicable”;

WHEREAS, the Protocols do not define the term “Market Readiness Criteria,” and ERCOT, in conjunction with Market Participants, has developed specific metrics and a Nodal Readiness Scorecard that are used to determine the progress of specific parts of the nodal market design in meeting the criteria necessary for implementing the Nodal Protocols and starting operations;

WHEREAS, the ERCOT Board recognizes that there are issues that remain to be addressed regarding the implementation and operation of the Congestion Revenue Rights before the Texas Nodal Market Implementation Date (TNMID), but that none of those issues should prevent the Congestion Revenue Rights Go-Live in October 2010, which is an integral occurrence in the progress toward meeting the TNMID on schedule;

WHEREAS, the ERCOT Board has reviewed the market readiness metrics documentation that ERCOT staff has executed regarding the Congestion Revenue Rights part of the nodal market design, and has reviewed ERCOT staff’s conclusion that the Congestion Revenue Rights has satisfied all of the steps necessary to make the declaration of market readiness required by Section 21.12.3, in order to authorize Congestion Revenue Rights Go-Live in October 2010;

WHEREAS, ERCOT staff provided its Section 21.12.3 certification document, attached hereto as Exhibit A, to TAC prior to TAC’s consideration of this issue and on August 5, 2010 TAC voted unanimously on a similar resolution, attached hereto as Exhibit B, to certify that all Market Readiness Criteria have been met for purposes of Section 21.12.3 regarding Congestion Revenue Rights in October 2010;

THEREFORE be it RESOLVED, that this Resolution shall serve as the ERCOT Board’s certification that all Market Readiness Criteria have been met, for purposes of ERCOT Protocol Section 21.12.3, regarding Congestion Revenue Rights Go-Live in October 2010.

FURTHERMORE, the ERCOT Board directs that status updates regarding outstanding issues be provided at future ERCOT Board meetings.



CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Interim Corporate Secretary of ERCOT, do hereby certify that, at its August 17, 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 August, 2010.

Bill Magness
Interim Corporate Secretary