



**ERCOT Testimony to Senate Business  
& Commerce Committee,  
Chairman John Carona**

October 25, 2010

**Trip Doggett  
President & CEO**

# Facilitating the retail market is one of our primary mandates

**As the designated independent organization under Senate Bill 7, ERCOT was assigned these responsibilities [Public Utility Regulatory Act (PURA) 39.151]:**

## **System Reliability**

- Ensure reliability and adequacy of regional electric network

## **Open Access to Transmission**

- Ensure nondiscriminatory access to transmission/distribution systems for all buyers and sellers

## **Competitive Retail Market**

- Facilitate retail registration and switching

## **Competitive Wholesale Market**

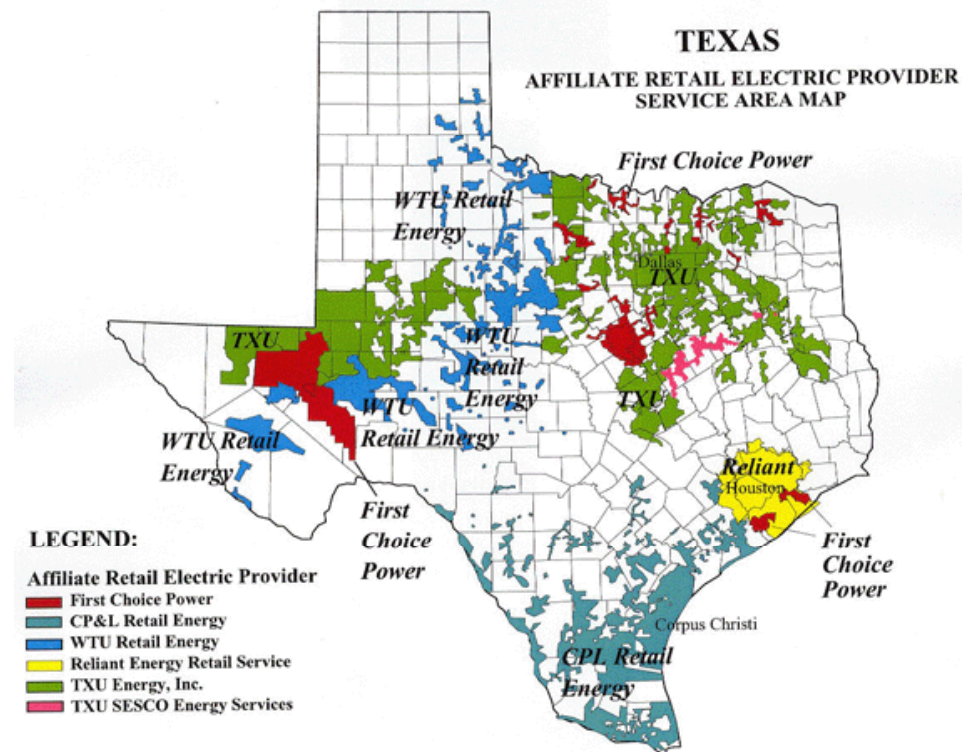
- Ensure accurate accounting for electricity production and delivery among the generators and wholesale buyers and sellers in the region

# The ERCOT 'retail competition' map

- This map shows the regions of Texas that are open to retail competition
- These are the areas served by the former monopoly investor-owned utilities (IOUs)

## IOU Transmission Providers

- AEP Texas Central and North
- CenterPoint Energy
- Oncor Electric Delivery
- Texas-New Mexico Power Company



## How is ERCOT unique?

- **ERCOT is the only entity of its type in the United States.**

**No other entity performs a similar range of grid, wholesale market and retail market operations.**

- **ERCOT is the only ISO/RTO\* with responsibilities as:**
  - **Registration agent for Retail Electric Providers (REPs)**
  - **Centralized hub for retail transactions**
  - **Centralized load profiling and data aggregation**

*\*Source: The Value of Independent Regional Grid Operators, November 2005*

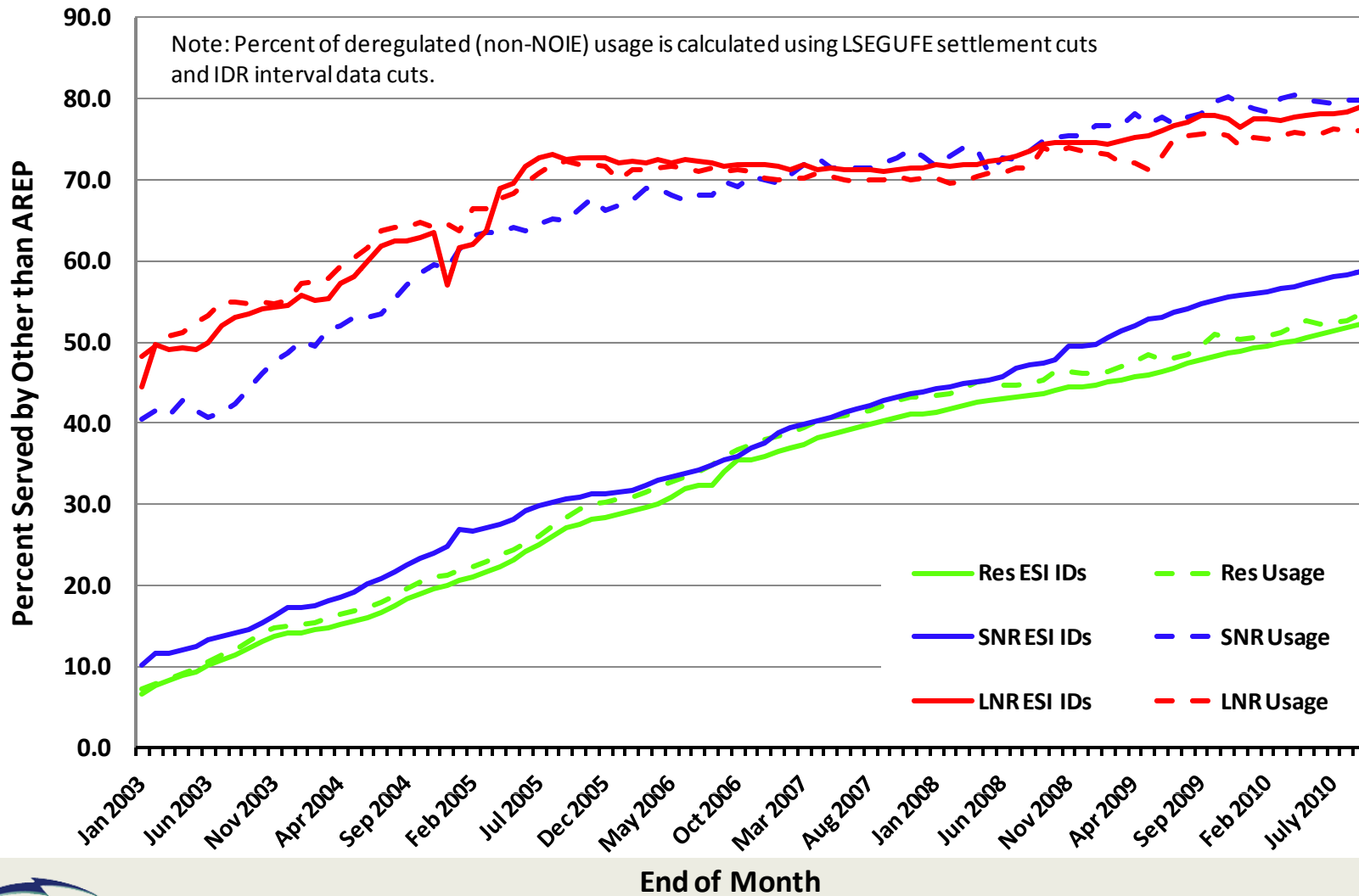
## ERCOT's role in the retail market

- Maintains the Centralized Registration Database
- ***ERCOT's role as the neutral registration agent for the customers has been cited as a major reason for success of this market.\****
- Serves as the transaction clearing house for all retail transactions
  - Switches
  - Move-ins
  - Move-outs
  - Maintains Electric Service Identification IDs (ESI ID)
  - POLR transitions
  - Continuous service agreements
- Compiles the information on market metrics
- Addresses data discrepancies and dispute resolutions
- Acts as Flight Administrator for Retail Qualification and Testing

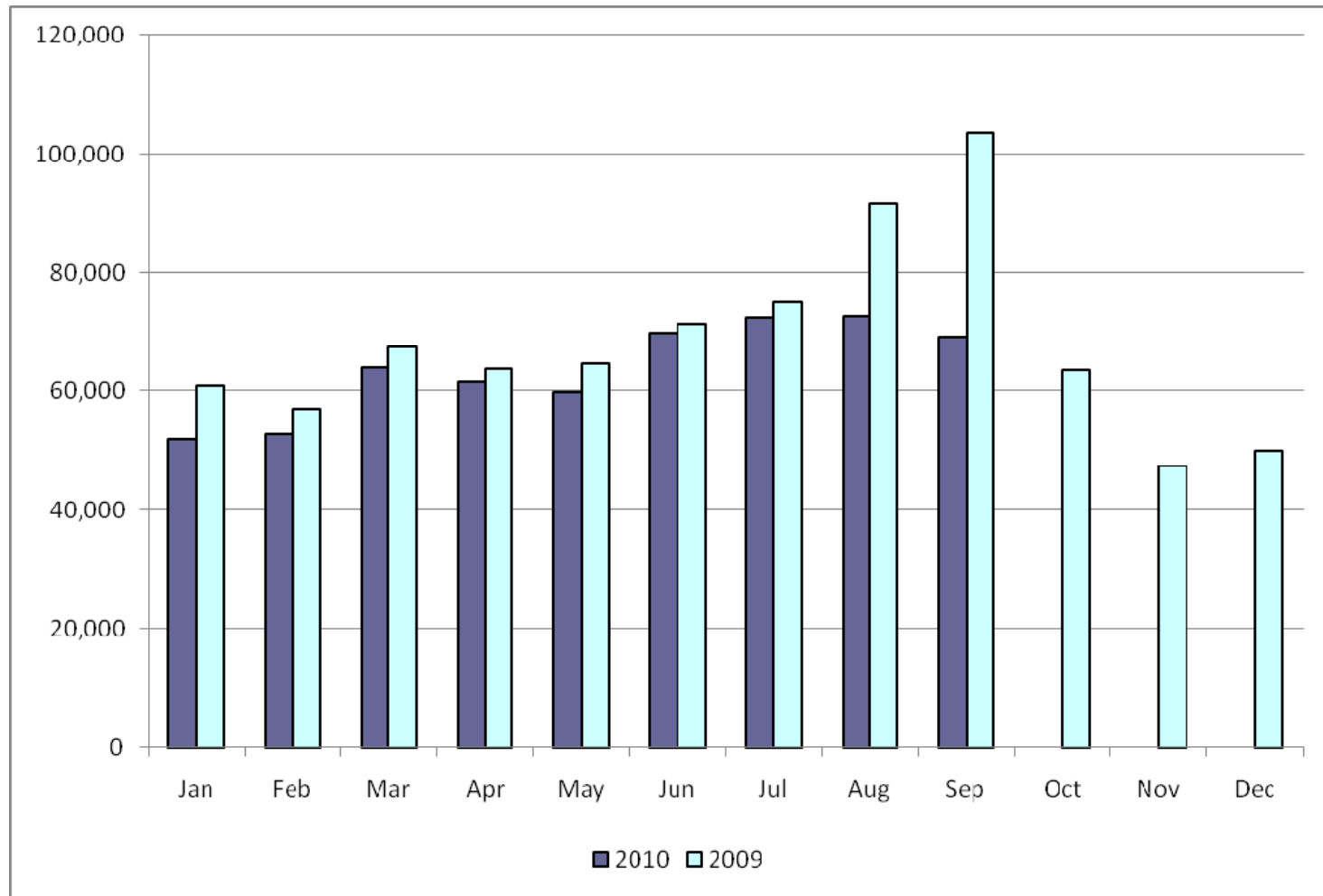
\*Source: Energy Retailers Research Consortium, 2008 and 2007; Alliance for Retail Choice, 2007; Center for the Advancement of Energy Markets, 2003

# Switching away from the incumbent

## Active ESIID Counts and Usage for the Previous Month Not Served by their AREP - Historical

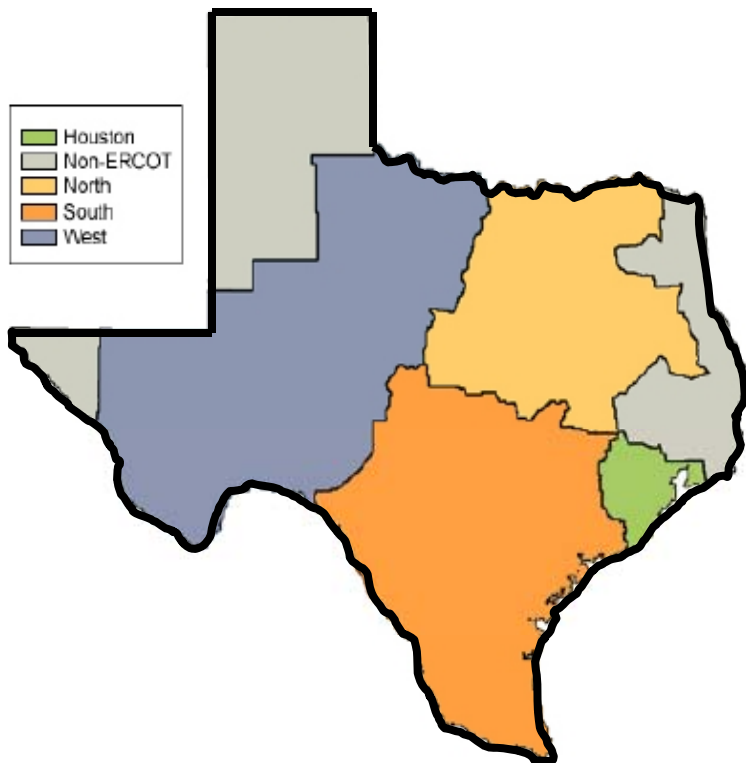


# Volume of switches in the ERCOT market

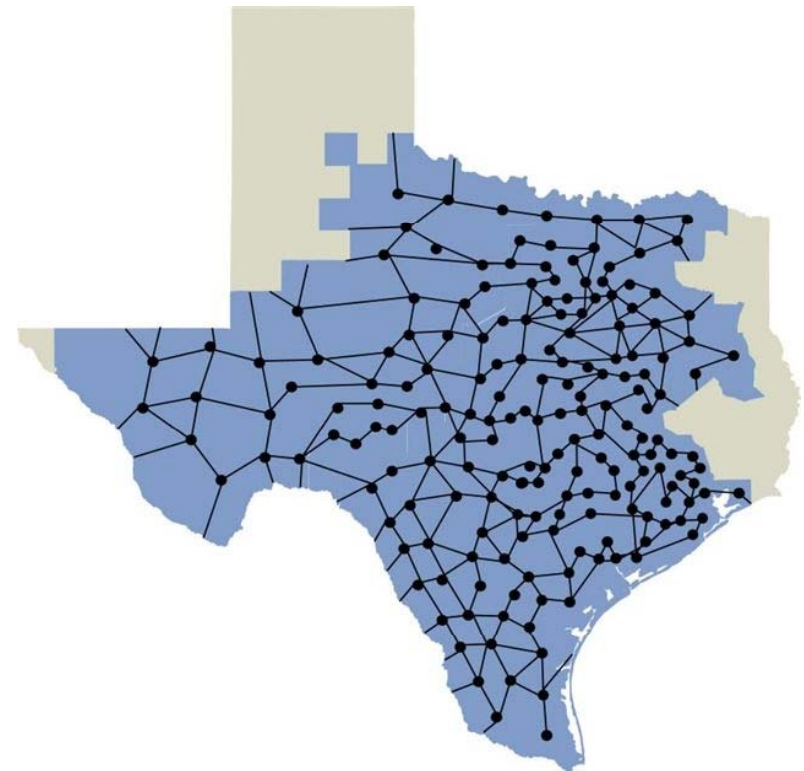


The Nodal market will 'go live' on December 1<sup>st</sup>

## ERCOT Zonal



## ERCOT Nodal





## Benefits of a Nodal market

- **More accurate management of congestion**  
– *More accurate unit information.*
- **Encourage resource competition**  
– *Nodal prices send proper price signals to encourage additional generation and/or transmission investment in proper locations.*
- **Precise market-based pricing of generation**
- **More granular price signals**
- **An independent cost-benefit analysis showed efficiencies of **\$5.6 billion** over ten years as a result of implementing a Nodal market in ERCOT**

## Nodal training for REPs is a priority at ERCOT

- **Market participant training has been an integral part of the transition to the nodal market and ERCOT has been delivering training to market participants including retail electric providers since 2006.**
  - More than 800 representatives from more than 70 retail electric providers have attended one or more of ERCOT's nodal market training courses.
  - More recently, ERCOT completed 38 site visits to qualified scheduling entities - the entities that represent retail electric providers in the ERCOT market.
  - ERCOT has hosted four nodal market workshops for retail electric providers – which were attended by more than 300 representatives either in person or through Webex. Another workshop is planned for November 9<sup>th</sup> in Austin.
  - ERCOT has also participated in workshops for retail electric providers sponsored by other organizations such as the Gulf Coast Power Association.
  - ERCOT will continue to encourage retail electric providers to participate in nodal market training as part of their readiness for the December 2010 nodal market go-live date.

## Potential REP issues in the Nodal market

- **In order to best hedge against costs in the new Nodal market, REPs must be aware of their existing agreements with suppliers and their customers.**
- **Specifically, REPs must be aware of costs associated with:**
  - Congestion
  - Reliability Unit Commitment (RUC)

