



Date: August 9, 2011
To: Board of Directors
From: Brad Jones, Technical Advisory Committee (TAC) Chair
Subject: Nonunanimous Nodal Protocol Revision Requests (NPRRs)

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: August 16, 2011

Agenda Item No.: 7b

Issue:

Consideration of the following, nonunanimous NPRRs, recommended for approval by TAC:

- NPRR299 – Remove Requirement for ERCOT Board Approval of Public Utility Commission of Texas (PUCT), Independent Market Monitor (IMM), and Federal Energy Regulatory Commission (FERC) Required Reports
- NPRR347 – Single Daily Settlement Invoice and Updates to Credit Calculations, including Addition of a Minimum Collateral Exposure Component (formerly “Counter-Party Invoice and Single Daily Settlement Invoice”) – URGENT
- NPRR357 – Revisions to Collateral Requirements concerning Congestion Revenue Rights (CRR) Auctions (formerly “Multi-Month CRR Auction and Revisions to Collateral Requirements”) – URGENT

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.

- **NPRR299 – Remove Requirement for ERCOT Board Approval of PUCT, IMM, and FERC Required Reports [ERCOT].**

Proposed Effective Date: September 1, 2011.

ERCOT Impact Analysis: No budgetary impact; no impacts to ERCOT staffing; no impact to ERCOT computer systems; no impacts to ERCOT business functions; no impacts to ERCOT grid operations and practices.

Revision Description: This NPRR modifies the Nodal Protocols to better capture the requirement for ERCOT to prepare and submit reports in accordance with its regulatory requirements and removes the need for the ERCOT Board, PUCT Staff and IMM to approve a schedule and format for reports.

TAC Decision: On July 7, 2011, TAC voted to recommend approval of NPRR299 as recommended by PRS in the June 23, 2011 PRS Report. There was one (1) abstention from the Consumer Market Segment.

- **NPRR347 – Single Daily Settlement Invoice and Updates to Credit Calculations, including addition of a Minimum Collateral Exposure Component (formerly “Counter-Party Invoice and Single Daily Settlement Invoice”) [ERCOT] – URGENT.**

Proposed Effective Date: Upon System Implementation – Priority Critical; Rank 9.44.

ERCOT Impact Analysis: \$430 to 460k; no impacts to ERCOT staffing; impacts to Market Participant Registration (REG), Settlements and Billing (S&B), Credit Monitoring

and Management (CMM), MIS, Enterprise Information System (EIS), Enterprise Integration (EI), Dispute Analysis Tools (DIS), Financial Transfer Tools (FT), and Commercial System Integration (CSI); impacts to Settlements business processes; no impacts to ERCOT grid operations and practices.

Revision Description: This NPRR combines the Day-Ahead Market (DAM) and the Real-Time Market (RTM) Invoices into a single daily Settlement Invoice for these activities for each Qualified Scheduling Entity (QSE) and Congestion Revenue Right (CRR) Account Holder; requires: (a) adaptation of the language for partial payments and late fees; (b) adaptation of the language for the Default Uplift Invoice; (c) changes to related credit formulas; and (d) automation of the minimum collateral calculation given an increase in the frequency of the calculation; and proposes reducing the average daily transaction extrapolated multiplier from 40 days to 35 days based on the median reduction in exposure of approximately five (5) days.

TAC Decision: On August 4, 2011 TAC voted to recommend approval of NPRR347 as amended by the August 3, 2011 ERCOT comments with a recommended priority of Critical and rank of 9.44. There was one (1) opposing vote and one (1) abstention both from the Independent Generator Market Segment. Positive Credit impacts; see June 22, 2011 CWG comments.

- **NPRR357 – Revisions to Collateral Requirements Concerning CRR Auctions (formerly “Multi-Month CRR Auction and Revisions to Collateral Requirements”) [Luminant] – URGENT.**

Proposed Effective Date: Upon System Implementation – Priority High; Rank 20.5.

ERCOT Impact Analysis: \$95 to 105k; no impacts to ERCOT staffing; impacts to CRR, Information Systems Master (ISM), and MIS; required updates to credit business functions; no impacts to ERCOT grid operations and practices.

Revision Description: This NPRR proposes revisions to collateral requirements for CRR Auctions including a pre-CRR Auction screening process to determine the maximum potential exposure of each CRR Account Holder.

TAC Decision: On August 4, 2011, TAC voted to recommend approval of NPRR357 as amended by the August 4, 2011 ERCOT comments with a recommended priority of High and a rank of 20.5. There was one (1) opposing vote from the Independent Generator Market Segment and two (2) abstentions from the Independent Generator and Independent Retail Electric Provider Market Segments. Positive Credit impacts.

The TAC Reports, Impact Analyses, and Cost Benefit Analyses (if applicable) for NPRRs 299, 347, and 357 are included in the ERCOT Board meeting materials which can found on the following link: <http://www.ercot.com/calendar/2011/08/20110816-BOD>.

In addition, NPRRs 299, 347, and 357 and supporting materials are posted on the ERCOT website at the following links: <http://www.ercot.com/mktrules/nprotocols/npr>.

Key Factors Influencing Issue:

The Protocol Revision Subcommittee (PRS) met, discussed the issues, and submitted reports to TAC regarding NPRRs 299, 347, and 357, described herein. TAC considered the issues and voted to take action on NPRRs 299, 347, and 357, as described above.

**Alternatives:**

1. Approve the TAC recommendation on NPRRs 299, 347, and/or 357, as described above or as modified by the ERCOT Board;
2. Reject the TAC recommendation on NPRRs 299, 347, and/or 357;
3. Defer decision on the TAC recommendation on NPRRs 299, 347, and/or 357; or
4. Remand NPRRs 299, 347, and/or 357 to TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC recommends that the ERCOT Board approve NPRRs 299, 347, and 357 as described herein.



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

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to approve the following Nodal Protocol Revision Requests (NPRRs):

- NPRR299 – Remove Requirement for ERCOT Board Approval of Public Utility Commission of Texas (PUCT), Independent Market Monitor (IMM), and Federal Energy Regulatory Commission (FERC) Required Reports
- NPRR347 – Single Daily Settlement Invoice and Updates to Credit Calculations, including Addition of a Minimum Collateral Exposure Component (formerly “Counter-Party Invoice and Single Daily Settlement Invoice”)
- NPRR357 – Revisions to Collateral Requirements concerning Congestion Revenue Rights (CRR) Auctions (formerly “Multi-Month CRR Auction and Revisions to Collateral Requirements”)

THEREFORE be it RESOLVED, that the ERCOT Board hereby approves NPRRs 299, 347, and 357.

CORPORATE SECRETARY’S CERTIFICATE

I, Bill Magness, Corporate Secretary of ERCOT, do hereby certify that, at its August 16, 2011 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of August, 2011.

Bill Magness
Corporate Secretary