



Tab 3: User Fees Policy

Finance & Audit Committee

ERCOT Public

December 10, 2012



To: Finance & Audit (F&A) Committee
From: Bill Magness, ERCOT Vice President, General Counsel and Corporate Secretary
Date: December 3, 2012
Re: Review of ERCOT Fees

During the November 2012 Board of Directors meeting, the Board requested that the F&A Committee review ERCOT's strategy for establishing user fees to recover various costs incurred in performing ERCOT's functions. Further consideration of pending user fee proposals will be deferred until after the F&A Committee's discussion of the broader issues regarding user fees.

As background for the F&A Committee's discussion, ERCOT staff provides the following information regarding: (a) Public Utility Commission of Texas (PUC) rules governing ERCOT fees; and (b) a summary of the current sources of ERCOT income.

A. PUC Rules Governing ERCOT Fees

Prior to 2011, Commission rules required that ERCOT file a fee case before it could change any fee used to support ERCOT activities. The contents of a fee case filing are delineated in PUC Procedural Rule § 22.252; ERCOT fee cases constitute "contested cases" before the Commission.

In its revisions to ERCOT oversight rules in 2011, the Commission made changes to rules governing review of ERCOT budget and fee requests. The new rules require ERCOT to submit its annual budget for review by the Commission. The revised rules also authorized the ERCOT Board to approve user fees without prior approval from the Commission. PUC Substantive Rule § 25.363(f) provides that:

ERCOT may charge reasonable user fees for services provided by ERCOT to any market participant or other entity. User fees do not include the system administration fee and the ERCOT nodal implementation surcharge. A new or revised user fee may be approved by the ERCOT governing board, without the filing of an application [for a contested case fee change].

Board approval of a user fee may be appealed to the Commission by any "affected entity," including PUC staff or the Public Counsel. The Board has used this authority to approve other user fees; none of those Board decisions were appealed to the Commission.

All ERCOT fees are included in the "ERCOT Fee Schedule" that is incorporated in the ERCOT Protocols. The most recent version of the ERCOT Fee Schedule is included with this memorandum as Attachment A.



B. Summary of Current Sources of ERCOT Income.

ERCOT staff prepared the summary chart included with this memorandum as Attachment B. The chart identifies ERCOT's sources of income, including revenues and interest income.

Please note that Attachment B does not include the special-purpose Texas Nodal Market Implementation Program (TNMIP) surcharge. The TNMIP surcharge is limited to repayment of specific expenses of the nodal program, and is expected to be fully repaid by early 2013.

We look forward to discussing this matter with the F&A Committee at its December meeting.

Attachment A
ERCOT Fee Schedule
Effective November 9, 2012

The following is a schedule of ERCOT fees currently in effect.

Description	Nodal Protocol Reference	Calculation/Rate/Comment
ERCOT System Administration fee	9.16.1	\$0.4171 per MWh to fund ERCOT activities subject to Public Utility Commission of Texas (PUCT) oversight. This fee is charged to all Qualified Scheduling Entities (QSEs) based on Load represented.
Private Wide Area Network fees	9.16.3	Actual cost of using third party communications network - Initial equipment installation cost not to exceed \$25,000, and monthly network management fee not to exceed \$1,500.
ERCOT Nodal Implementation Surcharge	9.16.4	\$0.375/MWh – Charged to all QSEs representing net metered generation.
ERCOT Security Screening Study (Not Refundable)	NA	A preliminary study of the impacts of a proposed generation plant conducted by ERCOT staff - \$5,000 (less than or equal to 150MW) \$7,000 (greater than 150MW)
Full Interconnection Study	NA	Costs incurred by the Transmission and/or Distribution Service Provider (TDSP) for completing a detailed study - \$15 per MW (Not Refundable – to support ERCOT system studies and coordination).
Map Sale fees	NA	\$20 - \$40 per map request (by size)
Qualified Scheduling Entity Application fee	9.16.2	\$500 per Entity
Competitive Retailer Application fee	9.16.2	\$500 per Entity
Congestion Revenue Right (CRR) Account Holder Application fee	9.16.2	\$500 per Entity
Independent Market Information System Registered Entity (IMRE)	9.16.2	\$500 per Entity
Voluminous Copy fee	NA	\$0.15 per page in excess of 50 pages
Late fees	9.7.4	Wall Street Journal prime interest rate plus 2% – Assessed for failure to make timely payment under the Protocols.

Attachment B

	A	B	C	D	E	F
1	ERCOT					
2	Schedule of revenue and interest income					
3						
4	Revenue Description	12/31/2011 (12 mos. actual)	8/31/2012 (8 mos. actual)	12/31/2012 (8 mos. annualized)	Percentage of total	Comment
5	System Administration Fee	139,539,775	93,656,370	140,484,555	88.5%	\$0.4171 per MWh since 2006
6	Electric Reliability Organization assessment	11,974,880	8,708,173	13,062,260	8.2%	NERC assesment to ERCOT region
7	Wide-area network services revenue	2,143,115	2,189,489	3,284,234	2.1%	User fee modified by Board action in 2011
8	Department of Energy grant revenue	596,488	498,347	747,520	0.5%	Grant funding, including audit costs
9	Generation interconnection study revenue	288,988	290,765	436,148	0.3%	User fee modified by Board action in 2011
10	Miscellaneous income	53,500	282,792	424,187	0.3%	Cost recovery: Black Start/Operator training
11	Membership dues	315,900	191,937	287,906	0.2%	Bylaws 3.4 (range \$50 - \$2000 per year)
12	Market participant registration fees	30,500	22,500	33,750	0.0%	Fees incorporated in ERCOT Protocols
13	Interest income	6,632	1,738	2,607	0.0%	
14	401(k) plan earning on forfeitures	725	7	10	0.0%	
15	Total	154,950,502	105,842,118	158,763,177	100.0%	
16						