



**PRESS RELEASE**  
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## **ERCOT SUBMITS PRELIMINARY SCHEDULE, BUDGET FOR NODAL**

November 26, 2008 – The Electric Reliability Council of Texas (ERCOT), grid operator for most of the state, submitted a preliminary schedule and budget for the nodal market implementation to the Public Utility Commission today with a new “go live” date of December 2010 and a cost estimate of \$660 million.

The preliminary schedule and budget will undergo additional review by ERCOT board members and market participant/stakeholder committees. ERCOT also anticipates feedback from the commission based on a cost-benefit analysis being prepared by Charles Rivers Associates and the commission staff, expected in mid-December.

“We had not planned to announce the new schedule or budget until completion of the commission’s cost-benefit analysis update,” CEO Bob Kahn said. “However, the commissioners recently expressed a need for more information as they review two ERCOT requests regarding the schedule and nodal surcharge.”

ERCOT filed a request Nov. 3 with the commission for a revised nodal market completion date to grant relief from the January 1, 2009 deadline, set by the commission in 2006. ERCOT also filed a request last week for an increase in the nodal surcharge rate to \$0.38 per megawatt-hour, from \$0.17, to support continued work on the nodal market implementation. The nodal surcharge is assessed to energy schedulers who represent generation resources.

“We have done significant work to improve the schedule and budget since May when we announced that we would not make the commission’s deadline of January 2009,” Kahn said. “We developed an integrated schedule that will allow us to manage the tasks, people, dates and deliverables across overlapping projects.”

The preliminary budget estimate took hundreds of staff hours to complete and is detailed down to the resource level by project and work stream, Kahn said. It is largely driven by the schedule for completion, Kahn said.

“Since a project of this scale requires a tremendous amount of external human resources – over 400 full-time equivalent employees and contractors – the budget is highly dependent on length of the implementation schedule,” he said. “The nodal market implementation is the largest and most complex single project ERCOT staff has undertaken – bigger even than the retail market opening. It is also one of the most complex projects taken on by any independent system operator in the country.”

The preliminary budget estimate of \$660 million includes costs already incurred for the project as well as projected interest expense of \$99 million projected through retirement of nodal debt. The first nodal budget of \$263 million was approved by the ERCOT Board of Directors in January 2007. In January 2008, the board approved a revised budget of \$319 million.

“We have a very high degree of confidence that ERCOT can deliver a quality market redesign,” Kahn said, “particularly in light of the program management changes made this year which – although delaying the schedule – have resulted in a stronger, more effective organization of the core projects. We now have a refined schedule with added testing time, a better quality assurance program, and improved vendor management procedures,” he said.

“Over 75 percent of the vendor software development for the nodal market is complete, and the majority of the software necessary to run the nodal market has completed initial testing and been delivered to ERCOT in preparation for integration testing,” Kahn said. “The nodal program completed more than 100 project

milestones in the past couple of months, including work on the Common Information Model (CIM) Importer, an incredibly complex piece of software that had been delayed for several months and is key to moving nodal implementation forward.”

## **ADDITIONAL BACKGROUND**

### **August 2003**

The Public Utility Commission (PUC) orders ERCOT to develop a nodal wholesale market design, with the goal of improving market and operating efficiencies through more granular pricing and scheduling of energy services

### **2003-2005**

Texas Nodal Team (ERCOT and market participants) drafts nodal protocols

### **September 2005**

ERCOT files nodal protocols with the PUC

### **April 2006**

The PUC approves the stakeholder-developed protocols for the nodal market, and orders an implementation date of January 1, 2009

### **June 2006**

ERCOT selects vendors

### **January 2007**

ERCOT board approves nodal budget of \$263 million

### **March 2007**

Texas Nodal Transition Plan Task Force approves last of business requirements and conceptual system designs for core nodal systems

### **September 2007**

Board approves revised requirements for Baseline 1 and 2

### **October 2007**

Real-time market execution and pricing started; real-time location marginal prices posted

### **January 2008**

Board approves revised nodal budget of \$319 million

### **February 2008**

Nodal hardware upgrade complete

### **March 2008**

ERCOT holds mock Congestion Revenue Rights auction

### **May 2008**

ERCOT announces it will not be able to make the January 1 deadline

### **June 2008**

ERCOT changes program leadership, rebuilds program management office and begins development of new integrated schedule

### **June 2008**

In system-wide test, ERCOT manages the power grid with nodal systems (real-time market and load frequency control) for 2 hours

**October 2008**

ERCOT begins integration testing

**November 2008**

Vendor software development 75-80 percent complete

The Electric Reliability Council of Texas (ERCOT) manages the flow of electric power to 21 million Texas customers – representing 85 percent of the state’s electric load and 75 percent of the Texas land area. As the independent system operator for the region, ERCOT schedules power on an electric grid that connects 38,000 miles of transmission lines and more than 550 generation units. ERCOT also manages financial settlement for the competitive wholesale bulk-power market and administers customer switching for 6 million Texans in competitive choice areas. ERCOT is a membership-based 501(c)(4) nonprofit corporation, governed by a board of directors and subject to oversight by the Public Utility Commission of Texas and the Texas Legislature. ERCOT’s members include consumers, cooperatives, independent generators, independent power marketers, retail electric providers, investor-owned electric utilities (transmission and distribution providers), and municipal-owned electric utilities.

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