



PRESS RELEASE
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Independent Review of Nodal Program Cites Improved Controls, Accountability, Transparency

The Electric Reliability Council of Texas (ERCOT), grid operator for most of the state, released [a report](#) today from an independent assessment of the nodal market revised schedule and budget that cites progress in program controls, accountability and transparency while also outlining remaining challenges and risks.

"ERCOT has made progress in implementing strong program controls," the Utilicast report states, specifically mentioning, "clear ownership and accountability" at the executive level, a restructured project management office with project controls consistent with the size and complexity of the nodal program, and establishment of a controller's office and cost tracking to improve budget transparency and financial reporting.

The Utilicast project team, hired by the ERCOT Board of Directors in October, conducted a high-level review of the nodal program including objectives, plan, and budget to assess if ERCOT is better placed to successfully implement the program given the [new budget and schedule](#).

Regarding the revised schedule, the report lists a number of risks including:

- Highest risk to the overall schedule is the integration project;
- Scope changes may adversely impact the schedule; project requirements have not been finalized and locked down;
- Lack of available data center space.

Utilicast also states the revised cost estimate of \$660 million, which includes direct costs and indirect costs such as finance charges, is a "reasonable 'not to exceed' estimate."

The report listed three findings regarding "what went wrong with the original schedule and budget": the original program was poorly estimated, controls were inadequate for the scale and complexity of the undertaking, and the nodal program is more complex than originally anticipated.

The report released today was the first of several reports included in the Utilicast contract which are to be provided to the ERCOT board's special nodal oversight committee. (The report is numbered eight because seven other reports have been completed by a previous vendor.) The subject of the next report has been recommended to include a review of the integration phase of the nodal program.

ADDITIONAL INFORMATION ONLINE

[Utilicast Report No. 8](#)

[Update on the ERCOT Nodal Market Cost-Benefit Analysis, CRA International and Resero](#)

[Nodal Market Implementation website](#)

ADDITIONAL BACKGROUND

The Public Utility Commission of Texas directed ERCOT in August 2003 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.

From 2003 to 2005, the ERCOT staff and market participants worked on drafting the nodal protocols. The commission approved the stakeholder-developed protocols for the nodal market in April 2006 and ordered an implementation deadline of January 1, 2009.

ERCOT [announced last May](#) that the 2009 go-live date was not feasible. In September, the commission directed its staff to do an update of the 2004 cost-benefit analysis. In November, ERCOT submitted a [preliminary revised schedule and cost estimate](#).

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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