

PROJECT NO. 30160

PUC RULEMAKING PROCEEDING	§	PUBLIC UTILITY COMMISSION
CONCERNING IMPLEMENTATION	§	
OF A NODAL MARKET DESIGN FOR	§	OF TEXAS
THE ELECTRIC RELIABILITY	§	
COUNCIL OF TEXAS	§	

**PROPOSAL FOR PUBLICATION OF AMENDMENT TO §25.501
AS APPROVED AT THE SEPTEMBER 2, 2004 OPEN MEETING**

The Public Utility Commission of Texas (commission) proposes an amendment to §25.501, relating to Wholesale Market Design for the Electric Reliability Council of Texas (ERCOT). The proposed amendment will modify the current requirements for development and implementation of a Nodal Market Design for ERCOT by delaying the filing of the draft market protocols until March 1, 2005, requiring that the independent cost-benefit analysis, the draft protocols, and the energy load zones be filed for informational purposes rather than for approval, and removing the iterative requirement for the independent cost-benefit analysis. The proposed amendment reflects the commission's current expectations and timeline for the procedural implementation of an improved wholesale market. Project Number 30160 is assigned to this proceeding.

Eric Schubert, Senior Market Economist at the commission, has determined that for each year of the first five-year period the amendment will be in effect, there will be no fiscal implications for state or local government as a result of enforcing or administering the sections.

Dr. Schubert has determined that for each year of the first five years the amendment will be in effect, the public benefit will be conformance of the section with the expected completion dates and review process desired by the commission. Differing from the requirements of the current

rule, the commission desires to review the independent cost benefit analysis, the draft energy load zones, and the draft protocols in a more informal, open, and conversational dialog with stakeholders, interested parties, and the commission staff rather than in the formal approval process contemplated in the current rule. The commission, after completing its review and analysis, could undertake any needed approval proceeding. There will be no adverse economic effect on small businesses or micro-businesses as a result of enforcing this section. There is no anticipated economic cost to persons who are required to comply with this section.

Dr. Schubert has also determined that for each year of the first five years the amendment will be in effect, there will be no effect on a local economy, and therefore no local employment impact statement is required under Administrative Procedure Act §2001.022.

The commission staff will conduct a public hearing on this rulemaking under the Administrative Procedure Act, Texas Government Code §2001.029 at the commission's offices, located in the William B. Travis Building, 1701 North Congress Avenue, Austin, Texas 78701, on Thursday, October 14, 2004, at 2:00 p.m.

Comments on the proposed amendment (16 copies) may be submitted to the Filing Clerk, Public Utility Commission of Texas, 1701 North Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326, within 21 days after publication. Comments should be organized in a manner consistent with the organization of the proposed amendment. The commission invites specific comments regarding the costs associated with, and benefits that will be gained by,

implementation of the proposed sections. The commission will consider the costs and benefits in deciding whether to adopt these sections. All comments should refer to Project Number 30160.

The amendment is proposed under the Public Utility Regulatory Act, Texas Utilities Code, Title II, §14.002 (Vernon 1998, Supplement 2004) (PURA), which provides the commission with the authority to make and enforce rules reasonably required in the exercise of its powers and jurisdiction; and specifically, PURA §39.151, which grants the commission oversight and review authority over independent organizations, like ERCOT.

Cross Reference to Statutes: Public Utility Regulatory Act §§14.002, 35.004(e), 39.001(d), and 39.151.

§25.501. Wholesale Market Design for the Electric Reliability Council of Texas.

(a) - (l) (No change.)

(m) **Development and implementation.** ERCOT shall use a stakeholder process to develop a wholesale market design that complies with this section. ERCOT shall also contract for an independent cost-benefit analysis of options. These options may include an option, or options, that would involve modification of the existing ERCOT wholesale market design. For each of the options, the cost-benefit analysis shall include the estimated net benefits of the option in comparison to the current market design. The cost-benefit analysis shall be prepared with sufficient detail to provide the stakeholders and the commission with the necessary information to modify or delete specific items or categories of expenses. The cost-benefit analysis and draft energy load zones that comply with subsection (h) of this section shall be filed by ERCOT by November 1, 2004. ERCOT shall also file with the commission draft protocols that implement an option analyzed in the independent cost-benefit analysis by March 1, 2005. ERCOT shall fully implement the requirements of this section by October 1, 2006.

This agency hereby certifies that the proposal has been reviewed by legal counsel and found to be within the agency's authority to adopt.

**ISSUED IN AUSTIN, TEXAS ON THE 3rd DAY OF SEPTEMBER 2004 BY THE
PUBLIC UTILITY COMMISSION OF TEXAS
ADRIANA A. GONZALES**

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