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DOCKET NO. 24770

**REPORT OF THE ELECTRIC
RELIABILITY COUNCIL OF TEXAS
(ERCOT) TO THE PUCT REGARDING
IMPLEMENTATION OF THE ERCOT
PROTOCOLS**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**REQUESTED REPORTS:
COMPARISON OF TCRS TO PCRS AND
IMPLEMENTATION OF BID CAPS**

In accordance with the request of the Commission at its Workshop held on July 19, 2002, ERCOT hereby files a report, attached hereto as Exhibit A, showing its most recent comparison of Transmission Congestion Rights (TCRs) to Pre-Assigned Congestion Rights (PCRs) and a description and chart, attached hereto as Exhibit B, describing the potential project to implement MCPC bid caps for load and generation resources.

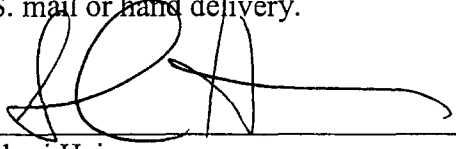
Respectfully submitted,



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CERTIFICATE OF SERVICE

I, Shari Heino, attorney for ERCOT, certify that a copy of this document filed in this docket by ERCOT was served on all parties of record in this proceeding on July 23, 2002, in the following manner: by facsimile, first class U.S. mail or hand delivery.



Shari Heino

Exhibit A
TCR to PCR Comparison
August 2002

| Commercially Significant Constraint | TCRs - Annual | TCRs - August | August Totals | PCR's |
|--|----------------------|----------------------|----------------------|--------------|
| WN | 447 | 78 | 525 | 140 |
| SN | 339 | 250 | 589 | 111 |
| SH | 419 | 363 | 782 | 60 |
| NW | 0 | 18 | 18 | 82 |

Exhibit B

Project Requirements for MCPE Bid Cap

This document offers an understanding of the system impacts to ERCOT's Operational and Commercial Systems to implement a bid cap rule for Market Clearing Price of Energy and Capacity (MCPE and MCPC) for two potential solutions. Currently, ERCOT operates with a MCPE cap of \$1000. However, the cap can be exceeded if a Load Resource has bid and been accepted above the cap amount. While there is no official cap recognized for capacity services, it appears that participants have been bidding capacity services along the same guidelines as the \$1000 MCPE cap.

Solution 1: MCPE and MCPC Cap at \$1000 for Generation and Load Resources

Under this solution, the cap for capacity and energy services would be \$1000 for both Generation and Load Resources. This solution would have no system impact on ERCOT's operational system and potentially small manual impact on ERCOT's commercial system in the event a price greater than \$1000 is passed into ERCOT's settlement system. This solution could be implemented quickly at little or no cost.

Solution 2: MCPE and MCPC Cap at \$1000 for Generation, \$2000 for Load Resources

This solution would require considerable system change. The ERCOT operations system would have to be able to accept schedules and bids from entities that are flagged as Load Resources. For unit specific services like Replacement Reserve, this would be simple; however, for Balancing Energy or portfolio services like Responsive Reserve and Non-spinning Reserve, this would present a more complex problem. QSEs would have to flag their portfolio services that come from Load Resources in order to differentiate from Generations Resources and apply the higher cap. Likewise, there could be a potential gaming problem with large QSEs that represent both Generation and Load Resources, in that these QSEs could bid in their Load Services above \$1000 to set the price, but never have the intention of utilizing the Load Resource to provide energy. Solutions for this gaming problem could be a binding Resource Plan, and/or penalties for non-performance. With time for developing appropriate Protocol language, the estimate for such a project is outlined in the chart below. This chart provides a best guess estimate available at this time with a start date of September 2002. A more detailed chart is contingent upon a completed system impact analysis.

| Task Name | Duration | Start | Finish |
|-----------------------------------|-----------------|--------------|---------------|
| Protocol Language Changes | 60 days | 9/2/2002 | 11/22/2002 |
| ERCOT Steering Committee Approval | 45 days | 11/25/2002 | 1/24/2003 |
| System Impact Analysis | 21 days | 1/27/2003 | 2/24/2003 |
| System Design | 21 days | 2/25 /2003 | 3/25/2003 |
| Code and Build | 30 days | 3/26/2003 | 5/6/2003 |
| Product Test | 30 days | 5/7/2003 | 6/17/2003 |
| Package Integration Test | 30 days | 6/18/2003 | 7/29/2003 |
| System Integration Test | 30 days | 7/30/2003 | 9/9/2003 |
| Acceptance and Implementation | 14 days | 9/10/2003 | 9/29/2003 |