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OPEN MEETING COVER SHEET

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MEETING DATE: May 22, 2003

DATE DELIVERED: May 22, 2003

AGENDA ITEM NO. 19

CAPTION: Docket No. 24770 – Report of Electric Reliability Council of Texas (ERCOT) to the PUCT Regarding Implementation of the ERCOT Protocols

ACTION REQUESTED: Memo from Commissioner Parsley

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Public Utility Commission of Texas

TO: Chairman Rebecca Klein
Commissioner Brett A. Perlman

FROM: Commissioner Julie Parsley 

DATE: May 21, 2003

RE: Agenda Item No. 19; Project No. 24770, *Report of the Electric Reliability Council of Texas (ERCOT) to the PUCT Regarding Implementation of the ERCOT Protocols*

I strongly believe that the Commission needs to implement an interim measure to mitigate the effects of hockey-stick bidding. Even though industry appears willing to bear the costs associated with hockey-stick bidding by a few market participants, as well as the loss of public confidence that attends such activities, I believe that the public interest requires us to put measures in place to mitigate gaming in the market.

Due to the low costs and possibility of immediate implementation, I prefer the Modified Competitive Solution Method. I could, however, support either the Hybrid Proposal or MRRI if these solutions could be implemented quickly with minimal costs.¹ I agree that, for ease of immediate implementation, any interim proposal should only apply ERCOT-wide when there is no zonal congestion.

I also support the sunshine policy, but disagree with market participants that this alone is enough to deter improper bidding behavior. I would support Staff's Option C, which would provide for both automatic identification of bidders over \$900 if the MCPE exceeds \$900 and Commission discretion to identify MCPE setters.

I look forward to discussing this matter at the open meeting.

¹ It was my understanding that the Hybrid Proposal should be comparable to Staff's proposal in terms of time and costs for implementation, however, this was not confirmed through any filing.

