

Position Two

Give ERCOT ISO one-fourth segment vote in the regional processes

The ERCOT Region has a long history of market participant participation and setting rules for operation and settlement by committee action with a very successful track record for reliability. SAR-001 seeks a vote for the ERCOT ISO like other market participants on Texas RE votes. It is agreed that the ISO should get a vote like other market participants.

The balance between reliability and cost is always considered without shorting reliability. Since the decision to open a competitive market, ERCOT committees have functioned with voting privileges that did not consider market participant size or functional responsibility.

For example, some municipal and cooperative electric entities may own only a distribution system to serve a few hundred retail customers, while others may own or operate a system with thousands of megawatts of generation, as well as transmission facilities and distribution systems serving thousands of customers. Both of these entities are treated as equal voting members on ERCOT TAC and Subcommittees. It is not unusual for four of these entities to attend an ERCOT meeting, effectively giving each of them one-fourth of a vote within their segment.

This position is to extend the right to vote on the RSC and in the RBB to the ERCOT ISO on the same basis as many other ERCOT MPs, which would be one-fourth of a vote.

Operation of the Bulk Electric System is a balance between financial considerations and reliability considerations. While ERCOT has significant reliability responsibilities, they do not have the same financial risks as other Market Participants. ERCOT's funding originates from other market participants so their bias if any would be toward "extra" reliability rather than the proper balance between reliability and economics. Market participants have a good track record for developing rules for reliable operation of the ERCOT system. Because of this configuration, we believe that ERCOT should receive the same voting privileges as other market participants, regardless of size or responsibility, and not become a "super- MP" with special voting privileges.

This position is to give the ERCOT ISO a vote like other market participants, a one-fourth of a segment vote.