



Consumers and the Nodal Market

Public Utility Law Section
Conference

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Most consumers do not directly interface with the nodal system.

Consumers depend on ERCOT and market participants to build a reliable and trustworthy nodal system.

Nodal is carrying a lot of baggage:

“The savings to consumers are estimated to be approximately **\$5.6 billion** (NPV) over the first ten years of operation of the nodal market...” [CRA International, Update on the ERCOT Nodal Market Cost Benefit Analysis, Dec. 18, 2008, Proj. No. 31600]

“More granular pricing will encourage additional generation and/or transmission investment in the proper locations.” [ERCOT, Understanding: Texas Nodal Implementation]

“The Independent Power Producer segment is adversely affected by the nodal market, given that energy prices and revenues decline benefits [are] positive for all other market segments.” [2004 Cost-Benefit Analysis, Dec. 21, 2004, Proj. No. 28500]

What might retail consumers see?

Nodal Pricing?

- Planned tests will not afford visibility into nodal pricing.
- REPs apparently concerned about additional nodal costs (RUC, for example).
- NPRR 091.

Retail Contract Disputes

The market has been thinking about nodal
for some time...

“If [REP] incurs new or increased costs of performance or supply...as a result of a Change in Law that relates to the wholesale or retail market in **ERCOT (including new or increased costs related to the transition to the nodal market)** then we may reasonably estimate and bill you for any such increased costs as an authorized charge **without prior notice.**”

Change in Zone Boundaries

Nodal does not abolish the zones; they will still be used to settle load.

The zonal price for load will be the load-weighted average price of the nodes in the zone.

The nodal protocols state that the zones will be as they were in 2003.

REP Contracts Do Address Changes in Zones:

“In the event that there is a Change in Law that results in [REP] incurring additional costs in providing the services contemplated herein...such costs will be assessed to Customer.”

“Change in law” means...changes in nodal and zonal definitions.”

Conclusion:

Consumers are depending on ERCOT and the industry to get the transition right.