

# Energy Market Redesign

## Are You Prepared for Nodal Congestion Pricing in ERCOT?

### Eight Myths of Wholesale Market Redesign

Market participants in other restructured markets thought they were prepared too. Don't fall victim to the myths of market redesign:

1. "Wholesale redesign doesn't matter to me because I'm a retail customer."
2. "I don't have to worry about congestion and ancillary services costs – all of my risks are covered by my bilateral agreements."
3. "If we follow the rules in bidding our generation, the regulators will never knock on our door."
4. "Restructuring of the market to nodal LMP will create lower energy prices for everyone."
5. "The market rules are sufficient to protect me from price manipulation."
6. "The settlement statements I receive will be always accurate, so there's no need to audit them."
7. "LMP will always send the correct market signals to promote generation and transmission development."
8. "I have it under control, and I don't need any help."

## Managing the Risk and Uncertainty of the Changing ERCOT Market

Change generates the potential for both risks and opportunities. The key to managing risk and identifying opportunities is understanding. Navigant Consulting will help you understand how changes in the ERCOT wholesale electricity market will affect your business.

To understand the changing ERCOT energy market and to identify the potential risks and opportunities, Navigant Consulting offers a multifaceted service, including facilitated workshops, to identify your exposure, quantify the risks and opportunities, and develop a strategy to address changes that will be necessary throughout your organization to protect or enhance your market position. The Navigant Consulting team has already traveled many of the paths that ERCOT is currently exploring. Drawing from over 200 utility-industry experts, Navigant Consulting offers the breadth and depth needed to address the impacts of locational marginal pricing (LMP), congestion management, and day-ahead energy markets.

Navigant Consulting can help you succeed despite the uncertainty of the changing ERCOT energy market.

### Selected Engagements by Region

- » ERCOT: Transmission studies, electric restructuring projects, power market analysis;
- » ISO-NE: Client representation on committees, interconnection analysis, forward pricing analysis;
- » TransConnect: Business strategy, financial analysis, project management;

- » Alliance RTO: Strategy and business planning, implementation project management, market design, training;
- » Northeast ITC: Strategy facilitation;
- » NYISO: Client representation on committees, analysis of strategy and policies;
- » CalISO/CalPX: Strategy development, transmission reliability report;
- » IMO: Strategy facilitation, power market analysis;
- » New Brunswick: Consultant to New Brunswick Market Design Committee, developed market rules;
- » Nova Scotia: Consultant to Nova Scotia Electricity Marketplace Governance Committee for market design.

## ISO/RTO Services

### Regulatory Strategy and Litigation Support

We offer traditional regulatory and litigation support services as well as services in product costing and pricing, retail customer choice program design, rate and service unbundling, rate case management, PBR design and readiness, and FERC advisory services.

### Market Analysis & Forecasting

Navigant Consulting has a combined team of technical experts and market analysts who together assist clients in power market forecasting, analyzing market entry and feasibility, performing due diligence on, for example, energy price forecasts, performing market power studies, formulating bidding strategies, developing dispute resolution strategies and analyzing market rules and mechanisms.

### ISO and RTO Strategy

We possess extensive experience with the formation and operation of RTOs, ISOs, ITCs, and Transmission business units of integrated companies. Our client list includes transmission entities, such as Alliance

## Contact »

John Moore  
512.493.5440  
jmoore@navigantconsulting.com

Laurie J. Oppel  
202.481.7534  
loppel@navigantconsulting.com

[www.navigantconsulting.com](http://www.navigantconsulting.com)

## About Navigant Consulting

Navigant Consulting (NYSE:NCI) is a major consulting firm whose experts advise clients in all major North American energy markets. Our fundamental business role is to guide our clients through change and uncertainty by applying sound advice, accumulated experience, and world-class expertise in managing the risks in innovation. Our resources can be used to assess a client's competitive position, address regulatory policy issues, evaluate financial and economic alternatives, create marketing strategies, develop pricing models, formulate and execute asset ownership and divestiture strategies, and leverage the application of appropriate IT and customer management systems.

### **Transmission Systems and Assessment**

Our transmission systems technical experts can assist in assessment of transmission system interconnections, optimization of transmission system assets, evaluate and support transmission system additions including merchant transmission system assets. This technical team also specializes in studies for transmission asset divestiture.

### **Market Education**

Our market experts team helps clients understand the concepts being explored in the market redesign effort. Understanding the various market mechanisms enables participants to determine how various rules and policies will affect their business. When armed with the knowledge of the market rules, participants are able to quantify risk and opportunities and develop strategies

### **Generation Management**

From the initial establishment of a generation business unit through helping companies improve shareholder value of an existing generation business, we provide innovative consulting services to help you realize your goals. Our consultants have assisted in technology management strategies, investment strategies, risk management, business investment support and due diligence, market entry strategies, and commercialization of new technology and services.

### **Asset and Portfolio Management**

Helping you evaluate and optimize your transmission assets as well as plan and strategize your asset portfolio is one of our strengths. Our deep industry experience offers successful transmission business modeling, strategic planning, improved system operations, and system optimization.



©2008 Navigant Consulting, Inc. All rights reserved. 03-00228A

"NAVIGANT" is a service mark of Navigant International, Inc. Navigant Consulting, Inc. (NCI) is not affiliated, associated, or in any way connected with Navigant International, Inc. and NCI's use of "NAVIGANT" is made under license from Navigant International, Inc.