

Renewal License of the MarketBuilder Platform

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Time Needed: 10 minutes

Action Requested of Electricity and Natural Gas Policy Committee: The Electricity Analysis Office (EAO) is requesting approval for the licensing renewal fee for the MarketBuilder platform (commonly called North American Regional Gas Model, NARG) with Deloitte Market Point LLC. The cost of the renewal is \$40,500 and allows staff to use the platform from June 30, 2011 to January 31, 2013.

Business Meeting Date: June 29, 2011 Business Meeting.

Background: The Energy Commission has a membership agreement with the Baker Institute located on the campus of Rice University in Houston, Texas. This agreement allows the Energy Commission access to several proprietary products, including the Rice World Gas Trade Model (RWGTM). This model functions within the MarketBuilder platform, proprietary software available from Deloitte Market Point LLC.

The Baker Institute has delivered to Energy Commission staff a series of files contained within the RWGTM. The files contain data, inputs, assumptions, and protocols that staff can use to derive outputs such as possible production of natural gas by region for a number of years, demand of natural gas by regions and sectors, prices of natural gas by basin, pipeline flows, infrastructure needs, and others.

The Energy Commission also has a three-year contract that expires in March 2012 with the main architect of the RWGTM, Dr Kenneth Medlock. The committee recently approved an extension of this contract to 2013. The purpose of the contract is to make modifications to the RWGTM structure that can simulate more detailed impacts relevant to the Western Electricity Coordinating Council (WECC) and California regions.

Justification for Action Requested: In order to derive outputs from these modified versions of the RWGTM, staff needs to renew the MarketBuilder platform license. The current license expires on June 30, 2011, but renewing the license will allow staff access until January 31, 2013.

Pros and Cons:

Pros: License renewal will allow staff continued access to natural gas outputs from RWGTM modifications for the *2011 IEPR*.

Cons: For the last couple of years staff undertook a model review effort which ended with a recommendation to continue using the MarketBuilder platform. However, in December 2010, the owner of the model, Altos Management sold the model and software rights to Deloitte Market Point LLC. Without a purchase order to extend the life of the current agreement, it is possible that the new owner might want to change the license user's agreement and put limitations that could be unacceptable to the Energy Commission. Up to now, however, Deloitte has agreed to allow the staff to use the Marketbuilder under the same conditions it had with Altos Management.

What Happens Next: Staff has already received an invoice to renew the model license. As soon as the budget for fiscal year 2011-2012 is approved by the State Legislature staff will pay the license renewal.