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**DOCKET NO. 24770**

**REPORT OF THE ELECTRIC  
RELIABILITY COUNCIL OF TEXAS  
(ERCOT) TO THE PUCT REGARDING  
IMPLEMENTATION OF THE ERCOT  
PROTOCOLS**

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**PUBLIC UTILITY COMMISSION**

2003 MAY 20 9:43  
PUBLIC UTILITY COMMISSION  
FILING CLERK

**OF TEXAS**

**ORDER NO. 22**

**ADOPTING SUNSHINE POLICY AND  
MODIFIED COMPETITIVE SOLUTION METHOD**

This Order approves on an interim basis a “sunshine policy” and a revised form of the Staff’s Modified Competitive Solution Method (MCSM) for application to the Balancing Energy Service (BES) market operated by the Electric Reliability Council of Texas (ERCOT).

Under the sunshine policy adopted by the Commission, ERCOT will automatically identify all QSEs submitting BES bids of over \$900 whenever the MCPE exceeds \$900.

The MCSM will be used to mitigate market failure in the BES market by restraining the market-clearing price of energy (MCPE) when two criteria are met: (1) there is no zonal congestion, so that the MCSM can be applied on an ERCOT-wide basis, and (2) the entire BES market bid stack is deployed by ERCOT.<sup>1</sup> As adopted, the MCSM is further characterized as follows:

- The mitigated MCPE will be set at the lower of the unmitigated MCPE or 1.5 times the price corresponding to 95% of the BES market-bid-stack quantity. (The BES market bid stack is the aggregation of all BES bid curves submitted by all Qualified Scheduling Entities (QSEs) for a particular interval.)
- Bids with prices above the mitigated MCPE will be paid as bid.
- Payments for the price excess (of bid price over the mitigated MCPE) for bids above the mitigated MCPE will be uplifted to market participants.

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<sup>1</sup> If there is no zonal congestion, the entire ERCOT area is treated as a single zone. (Market Oversight Division’s Memo to Commissioners at 2, fn. 7 (Mar. 18, 2003).)

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Both the sunshine policy and the MCSM outlined above are to continue in effect until such time as the Commission replaces them with a permanent market-mitigation solution.

Finally, the Commission directs ERCOT to develop and adopt on an expedited basis the protocol revisions needed to implement the above-described interim measures.

SIGNED AT AUSTIN, TEXAS the 29th day of May 2003.

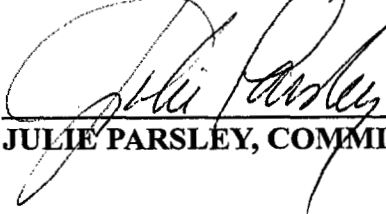
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BRETT A. PERLMAN, COMMISSIONER



JULIE PARSLEY, COMMISSIONER