

Allocation of DAM and RTM Default Amounts



Shams Siddiqi, Ph.D.

Crescent Power, Inc.

(512) 263-0653

shams@crescentpower.net

August 13, 2009

RTM Approach in Nodal Protocols

- ❑ ERCOT issues RTM Initial Statements on 10th day, RTM Final Statement on 59th day, and RTM True-Up Statements 180 days following the Operating Day
- ❑ ERCOT issues Invoices on a weekly basis on each Thursday with payment due on 5th Bank Business Day
- ❑ For RTM defaults, ERCOT reduces payments to RTM Invoice Recipients owed monies on a pro rata basis of monies owed
- ❑ 180 days later, ERCOT uplifts short-paid amounts using Load Ratio Share for the calendar month three months before the date on which ERCOT issues the RTM Uplift Invoice. ERCOT must pay the funds from payments on RTM Uplift Invoices to Entities previously short-paid
- ❑ Any Uplifted short-paid amount greater than \$2,500,000 must be scheduled so that no amount greater than \$2,500,000 is charged on each set of RTM Uplift Invoices until ERCOT Uplifts the total short-paid amount. ERCOT must issue RTM Uplift Invoices at least 30 days apart

DAM Approach in Nodal Protocols

- ❑ ERCOT issues DAM Invoices on 2nd Business Day after the Operating Day with payment due on the 4th Bank Business Day after the DAM Invoice date
- ❑ For DAM defaults, ERCOT reduces payments to all DAM Invoice Recipients owed monies from ERCOT on a pro rata basis of monies owed to each Invoice Recipient
- ❑ To the extent ERCOT is able subsequently to collect past due funds owed by a short-paying Invoice Recipient, ERCOT shall allocate the collected funds to the earliest DAM Invoice for which that Invoice Recipient remains a short-payer. ERCOT shall use its best efforts to distribute collected past due funds on a pro rata basis of monies owed

Default Allocation in Other Markets

Question	MISO	PJM	CAISO	NYISO	SPP
<i>RTM and DAM defaults treated the same?</i>	Yes	Yes	Yes	Yes	N/A – SPP has RTM only
<i>Has an escrow account been set up to cover defaults?</i>	No	No	No; however, plans being considered	Yes - Working Capital Fund	No
<i>If so, how is the fee allocated?</i>	N/A	N/A	Through fees associated to late payments and late collateral postings.	Charges are allocated to each Customer's pro rata share and as NYISO deems necessary % Share = $\frac{\text{MPA/R} + \text{MPA/P}}{\text{NYISO Gross Account A/R \& A/P}}$	N/A
<i>How are defaults allocated to the market?</i>	Allocated based on absolute value of charges and credits for the relevant billing period	10% allocated to per-capita membership; 90% allocated based on absolute value of charges and credits for relevant billing period	Defaults are allocated to the net creditors; however, CAISO is in the process of considering extending default risk to all market participants.	Reverts to the Defaulting Party's Working Capital Fund contribution, then allocates remaining portion based on an absolute value of charges and credits for the relevant billing period.	Allocated based on value of charges and credit for the relevant billing period.
<i>Total dollar amount of defaults uplifted</i>	\$23.3 million	\$75.6 million	No response received	No response received	\$0

Proposed Allocation of Defaults

- ❑ Defaults in the RTM and DAM are allocated using similar methods
- ❑ For RTM defaults, ERCOT reduces payments to RTM Invoice Recipients owed monies on a pro rata basis of monies owed
- ❑ For DAM defaults, ERCOT reduces payments to all DAM Invoice Recipients owed monies from ERCOT on a pro rata basis of monies owed to each Invoice Recipient
- ❑ To the extent ERCOT is able subsequently to collect past due funds owed by a defaulting Invoice Recipient, ERCOT shall allocate the collected funds to the earliest RTM and DAM Invoice for which that Invoice Recipient remains a short-payer
- ❑ ERCOT shall use its best efforts to distribute collected past due funds on a pro rata basis of monies owed

Proposed Allocation of Defaults

- ❑ 180 days later, ERCOT uplifts default amounts using the absolute value of charges plus absolute value of credits in each RTM, DAM, and CRR Auction invoice for the calendar month three months before the date on which ERCOT issues the Uplift Invoice (note: the existing RTM Uplift Invoice would be used as the RTM & DAM uplift invoice)
- ❑ ERCOT must pay the funds from payments on Uplift Invoices to the earliest RTM & DAM Invoice for which that Invoice Recipient remains short-paid
- ❑ ERCOT shall use its best efforts to distribute collected past due funds on a pro rata basis of monies owed
- ❑ Any uplifted short-paid amount greater than \$5,000,000 must be scheduled so that no amount greater than \$5,000,000 is charged on each set of Uplift Invoices until ERCOT uplifts the total short-paid amount
- ❑ ERCOT must issue Uplift Invoices at least 30 days apart

Benefits of Proposed Allocation

- ❑ Compromise that resolves concerns about current approach to handling defaults in DAM while making the allocation of default amounts in RTM more equitable
- ❑ Consistent with some of the other US electricity markets
- ❑ Approach is an attempt to minimize system impacts
- ❑ Proposed allocation can be used along with a “default insurance fund” and/or a “default financial instrument” paid for by charging PTP Obligation purchasers or by some other means