



CWG Comments – Procedures for Setting Day Ahead Market Auction Credit Requirement Parameters

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The Credit Work Group (“CWG”) has reviewed and endorses NPPRR 206 and the TAC-recommended Procedures for Setting Day Ahead Market Auction Credit Requirement Parameters. CWG has actively participated in developing these procedures and believes they provide adequate credit protection to the market for the following reasons:

- Gives ERCOT sufficient flexibility to adjust counter-party collateral requirements close to pre-NPPRR 206 levels, if necessary.
- Requires that any counter-party seeking “favorable treatment” to provide advanced notice to ERCOT of changes in DAM trading activity that would allow ERCOT to proactively adjust its collateral requirement, if needed.
- Allows ERCOT to require additional disclosure, if needed, for counter-parties to receive “favorable treatment”.

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(continued)

- Allows ERCOT to adjust any counter-party's DAM collateral requirement if ERCOT becomes aware of counter-party's changed financial circumstances or failure to meet its obligations required for "favorable treatment".
- Recognizes that reasonable offsetting bids and offers from a counter-party may reduce that counter-party's credit risk and thus allows for a reduced collateral requirement.
- Is more conservative for the first sixty days of the DAM.
- Allows for the Board to change these parameters when appropriate without requiring a protocol revision.