



**Date:** April 13, 2010  
**To:** ERCOT Board of Directors  
**From:** Brad Jones, Technical Advisory Committee (TAC) Chair  
**Subject:** Day Ahead Market Collateral Parameters

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors (ERCOT Board) Meeting Date:** April 20, 2010

**Agenda Item No.:** 14b

**Issue:**

Day Ahead Market Collateral Parameters called for in NPRR206 – Nodal Market Day Ahead Market Credit Requirements.

**Background/History:**

On February 16, 2010, the ERCOT Board approved NPRR206, Nodal Market Day Ahead Market Credit Requirements, and directed TAC to bring recommendations for the parameters to the April Board meeting.

Since the February Board meeting, the Market Credit Working Group of the Wholesale Market Subcommittee (WMS) held several meetings to arrive at a compromise solution for the parameters. On March 30, 2010, WMS held a special meeting to review the compromise solution and then voted via email vote to recommend approval of the compromise proposal as revised by the March 30, 2010 WMS meeting. The vote passed with 86.7% in favor, 13.3% opposed and one abstention from the Municipal Market Segment. All Market Segments were represented.

On April 8, 2010, TAC voted to recommend approval of the Day Ahead Market Collateral Requirements as recommended by WMS. The vote passed with 23 votes in favor, five opposing votes from the Cooperative (2), Municipal (1), and Consumer (2) Market Segments and two abstentions from the Municipal and Investor Owned Utility Market Segments.

The parameters include a phase in period with conservative values for the first 60 days of the Nodal market. After the first 60 days, a party may either accept a default set of parameters or may commit to keep ERCOT informed of significant changes in their Day Ahead Market participation and could receive more favorable parameters by ERCOT.

The recommended parameters require a revision to language approved by NPRR206 to be effective. ERCOT has submitted the required revisions through a Nodal Protocol Revision Request which is currently within the CEO review process.

The TAC recommendation for defining Day Ahead Market collateral parameters is included in Attachment A.

**Key Factors Influencing Issue:**

On February 16, 2010, the ERCOT Board approved NPRR206 and required the Day Ahead Market collateral parameters outlined in NPRR206 to be approved by the ERCOT Board.

The TAC recommended parameters will require a revision to the Nodal Protocols to be effective. ERCOT has submitted the necessary revisions as a new NPRR.

**Alternatives:**

1. Approve the TAC recommendation as described in Attachment A or as modified by the ERCOT Board;
2. Reject the TAC recommendation;
3. Defer decision on the merits of the TAC recommendation until the new NPRR is ready for decision by the ERCOT Board; or
4. Remand to TAC with instructions.

**Conclusion/Recommendation:**

As more specifically described above, TAC recommends approval of the Day Ahead Market credit parameters as described in Attachment A.



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, the Electric Reliability Council of Texas, Inc. (ERCOT) Board of Directors (Board) deems it desirable and in ERCOT's best interest to approve the Day Ahead Market Collateral Parameters called for in NPRR206 – Nodal Market Day Ahead Market Credit Requirements.

THEREFORE be it RESOLVED, that the ERCOT Board hereby approves the Day Ahead Market Collateral Parameters called for in NPRR206 – Nodal Market Day Ahead Market Credit Requirements.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Bill Magness, Interim Corporate Secretary of ERCOT, do hereby certify that, at its April 20, 2010 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of April, 2010.

\_\_\_\_\_  
Bill Magness  
Interim Corporate Secretary