



Date: October 12, 2010
To: Board of Directors
From: Brad Jones, Technical Advisory Committee (TAC) Chair
Subject: Congestion Revenue Right (CRR) Auction Credit Parameters

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: October 19, 2010

Agenda Item No.: 7c

Issue:

Nodal Protocol Section 7.5.5.3, Auction Process, requires ERCOT Board approval of certain CRR Auction credit parameters. For the parameters to be utilized in the December CRR Auction, they must be approved prior to November 1, 2010.

Background/History:

Nodal Protocol Section 7.5.5.3(1)(a)(iii) requires ERCOT Board approval of the CRR Auction credit parameters A and M which are adder and multiplier values that will be used to calculate the additional credit requirements for awarded Point to Point (PTP) Obligations. On January 20, 2009, in conjunction with the Board approval of [NPRR140](#), Revision to CRR Obligation Margin Adder, the ERCOT Board approved NPRR140 as recommended by TAC which included setting the values of A at \$1.50 and M at 1.

At its September 22, 2010 meeting, the Wholesale Market Subcommittee (WMS) discussed options to revise the credit parameters of A and M to ensure adequate CRR credit requirement such that auction awards do not result in collateral calls from Future Credit Exposure (FCE) calculations. WMS voted to recommend revising the values of A to \$0 and M to 0. The motion carried with 70.4% in favor, 29.6% against and two abstentions from the Consumer and Cooperative Market Segments. The roll call vote can be found with the September 22, 2010 WMS meeting [key documents](#).

On October 7, 2010, TAC reviewed the WMS recommendation and conducted a series of roll call votes (which failed to obtain the requisite percentage for TAC approval) on motions that contained varying values for the A parameter from \$0 to \$1. The results of the roll call votes can be found with the October 7, 2010 TAC [key documents](#). Finally, TAC voted to recommend to the Board to set A at \$0.75 and M at 0 and for TAC to review the parameters again in April 2011. The motion passed via roll call vote with 23 in favor, four opposing votes from the Municipal (3) and Cooperative (1) Market Segments and one abstention from the Independent Power Marketer Market Segment.

Key Factors Influencing Issue:

TAC met, discussed the issues and voted to submit to the ERCOT Board the recommendation of setting the CRR Auction credit parameters of A to \$0.75 and M to 0.

Alternatives:

1. Approve the TAC recommendation to set the CRR Auction credit parameters of A to \$0.75



- and M to 0 as described above or as modified by the ERCOT Board;
2. Reject the TAC recommendation to set the CRR Auction credit parameters of A to \$0.75 and M to 0;
 3. Defer decision on the merits of the TAC recommendation to set the CRR Auction credit parameters; or
 4. Remand the setting of the CRR Auction credit parameters of A and M to TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC recommends that the ERCOT Board approve the revising the of the CRR Auction credit parameters of A to \$0.75 and M to 0.



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

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to approve the CRR Auction credit parameters of A at \$0.75 and M at 0;

WHEREAS, paragraph (1)(a)(iii) of Nodal Protocol Section 7.5.5.3, Auction Process, requires ERCOT Board approval of certain Congestion Revenue Right (CRR) credit parameters;

THEREFORE be it RESOLVED, that the ERCOT Board hereby approves the CRR Auction credit parameters of A at \$0.75 and M at 0.

CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Corporate Secretary of ERCOT, do hereby certify that, at its October 19, 2010 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of October, 2010.

Bill Magness
Corporate Secretary