



Date: January 11, 2011
To: Board of Directors
From: John Dumas, Director of Wholesale Markets Operations
Subject: Price Corrections for Real-Time Settlement Interval 00:15 of Operating Day December 15, 2010

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: January 18, 2011

Agenda Item No.: 14

Issue:

Pursuant to paragraph (4) of Nodal Protocol Section 6.3, Adjustment Period and Real-Time Operations Timeline, whether the ERCOT Board of Directors (Board) should approve price corrections for Real-Time Locational Marginal Prices (LMPs) on three Security Constrained Economic Dispatch (SCED) executions and Real-Time Settlement Point Prices impacting one Settlement Interval (00:15) for Operating Day December 15, 2010 due to a software error.

Background/History:

On December 15, 2010, Base Points (BPs) and Real-Time LMPs produced by SCED with time stamps of 00:00:32, 00:01:05, 00:01:38 were calculated without using any Market Participant Energy Offer Curves. The BPs and Real-Time LMPs were based on proxy Energy Offer Curves created by SCED due to a software defect that prevented the SCED process from reading timely submitted Market Participant Energy Offer Curves. This software error resulted in system-wide inaccurate Real-Time LMPs and Real-Time Settlement Point Prices for the first Settlement Interval (00:15) of Operating Day December 15, 2010. ERCOT has already implemented a business process workaround and is further working on a software fix as a long-term solution for this isolated situation.

Paragraph 4 of Protocol Section 6.3 states the following:

All Real-Time LMPs, SASM MCPCs, and Real-Time Settlement Point Prices are final at 1600 of the next Business Day after the Operating Day. After Real-Time LMPs, SASM MCPCs, and Real-Time Settlement Point Prices are final, if ERCOT determines that prices are in need of correction, it shall notify Market Participants and describe the need for such correction. Real-Time LMPs, SASM MCPCs, and Real-Time Settlement Point Prices cannot be changed unless the ERCOT Board finds that the Real-Time LMPs, SASM MCPCs, or Real-Time Settlement Point Prices are significantly affected by a software or data error.

ERCOT did not discover the software error until after the Real-Time LMPs and Real-Time Settlement Point Prices impacting Settlement Interval 00:15 became “final” under the ERCOT Protocols. Thus, on December 22, 2010, ERCOT notified Market Participants in a Notice of the need for price corrections impacting this Settlement Interval due to the software error and its intent to request such price corrections at the next regularly scheduled Board meeting, which is the January 18, 2011 Board meeting. Pursuant to paragraph 4 of Protocol Section 6.3, ERCOT



staff recommends that the Board find that these prices were significantly affected by a software error and approve price corrections impacting Real-Time Settlement Interval 00:15 because such prices were significantly affected by a software error.

More specifically, ERCOT staff's recommendation is two-fold: (1) Replace the Real-Time LMPs for the affected SCED runs (00:00:32, 00:01:05, 00:01:38) with the Real-Time LMPs created from the last SCED execution on Operating Day December 14, 2010 (23:59:39); and (2) Using the replaced Real-Time LMPs, recalculate the Real-Time Settlement Point Prices for Settlement Interval 00:15 to be settled in accordance with Protocol Section 6.6.9, Emergency Operations Settlement. The purpose of ERCOT staff's recommendation is to make whole Market Participants who were not dispatched according to their submitted Energy Offer Curves. Since the Real-Time Market (RTM) Initial Settlement for Operating Day December 15, 2010 is complete and the RTM Final Settlement is not scheduled to occur until February 14, 2011, ERCOT staff would issue a RTM Resettlement for the impacted Operating Day approximately ten days after Board approval of the price corrections.

Attached as Exhibit A are ERCOT staff's recommended price corrections for Real-Time Settlement Point Prices impacting Real-Time Settlement Interval 00:15 of Operating Day December 15, 2010. The data comprising the Real-Time LMPs from the last SCED execution of Operating Day December 14, 2010 (23:59:39) is voluminous but will be provided via electronic communication to the Board.

Key Factors Influencing Issue:

Due to a software error, the Real-Time LMPs and Real-Time Settlement Point Prices for the first Settlement Interval (00:15) of Operating Day December 15, 2010 are inaccurate. Since the Real-Time LMPs and Real-Time Settlement Point Prices for this Settlement Interval are considered final under the ERCOT Protocols, ERCOT staff respectfully recommends that the Board find that these prices were significantly affected by a software error and approve price corrections for the affected Real-Time Settlement Interval.

Alternatives:

1. Approve the ERCOT staff recommendation on the price corrections of Real-Time LMPs and Real-Time Settlement Point Prices impacting Real-Time Settlement Interval 00:15 of Operating Day December 15, 2010, as described above or as modified by the Board;
2. Reject the ERCOT staff recommendation on the price corrections of Real-Time LMPs and Real-Time Settlement Point Prices impacting Real-Time Settlement Interval 00:15 of Operating Day December 15, 2010;
3. Defer decision on the price corrections of Real-Time LMPs and Real-Time Settlement Point Prices impacting Real-Time Settlement Interval 00:15 of Operating Day December 15, 2010; or
4. Instruct ERCOT staff to consider further information on the price corrections of Real-Time LMPs and Real-Time Settlement Point Prices impacting Real-Time Settlement Interval 00:15 of Operating Day December 15, 2010.

Conclusion/Recommendation:

As more specifically described above, ERCOT staff respectfully recommends that the Board



find that these prices were significantly affected by a software error and approve the price corrections of Real-Time LMPs and Real-Time Settlement Point Prices impacting Real-Time Settlement Interval 00:15 of Operating Day December 15, 2010.



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

WHEREAS, paragraph (4) of Nodal Protocol Section 6.3, Adjustment Period and Real-Time Operations Timeline, requires ERCOT Board of Directors (Board) approval for price corrections after Real-Time Locational Marginal Prices (LMPs), Supplemental Ancillary Services Market (SASM) Market Clearing Prices for Capacity (MCPCs), and Real-Time Settlement Point Prices are final if such prices are significantly affected by a software error;

WHEREAS, the Board deems it desirable and in ERCOT's best interests to approve the price corrections of Real-Time LMPs and Real-Time Settlement Point Prices for Real-Time Settlement Interval 00:15 of Operating Day December 15, 2010, with the corrected Real-Time LMPs and Real-Time Settlement Point Prices as presented to the Board by ERCOT staff;

THEREFORE BE IT RESOLVED, that the Board hereby finds that the prices were significantly affected by a software error and therefore approves the price corrections for Real-Time Settlement Interval 00:15 of Operating Day December 15, 2010 and instructs ERCOT staff to issue a Real-Time Market (RTM) Resettlement for Operating Day December 15, 2010 as soon as practicable after such approval.

CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Corporate Secretary of ERCOT, do hereby certify that, at its January 18, 2011 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of January, 2011.

Bill Magness
Corporate Secretary