Explore Areas for Improving the AIL Credit Calculations

February 21st, 2011

MCWG / SEWG

Aggregate Incremental Liability

- **Purpose for AIL:** Supplements the ADTE calculation when calculating Total Potential Exposure by incorporating unbilled Real Time settled and estimated amounts into the credit equation
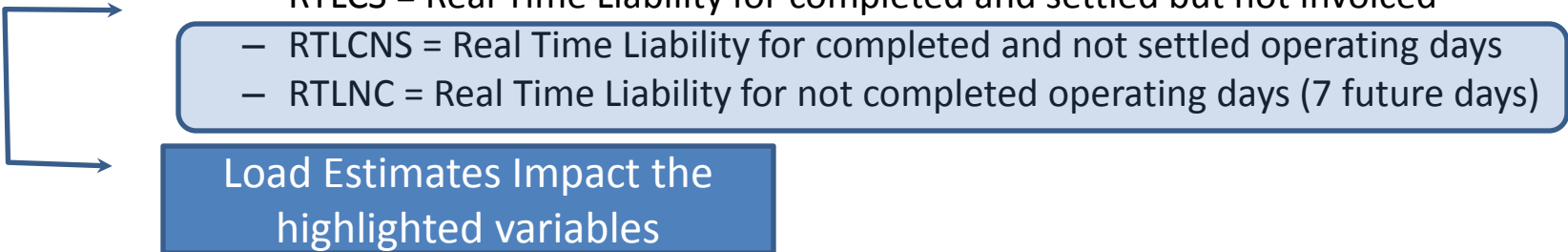
- **Aggregate Incremental Liability**
  - AIL = RTL – Max [0, (ADTE / 40 * N * 0.9)]
    - AIL = Aggregate Incremental Liability
    - RTL = RTLCS + RTLCNS + RTLNC
    - Where:
      - RTLCS = Real Time Liability for completed and settled but not invoiced
      - RTLCNS = Real Time Liability for completed and not settled operating days
      - RTLNC = Real Time Liability for not completed operating days (7 future days)

      Load Estimates Impact the highlighted variables

RTL Load Estimate

- Is there a better means of estimating load for operating days not settled than is currently being used within the RTL equations
  - <u>Current Estimate</u> = For each interval within an Operating Day, ERCOT's reported total load by load zone multiplied by the market participant's load ratio share from the operating day two weeks prior
    - $\text{ERTML}_{q, p, i} = \text{LACTERCOT}_i * \text{LZLRSQSE}_{q, p, i}$ (where settlement point, P, is a load zone)

- Is there a better means of estimating load for forecasted operating days
  - <u>Current Estimate</u> = Real time liability for not completed operating days is a function of the previous 7 days completed and not settled multiplied by 150%

Other RTL Inputs

- QSE to QSE Purchases/Sales Volume
- Day Ahead Purchases/Sales Volume
- Self Scheduled Volume
- Total Generation
- Total CRR ($)
- Total Congestion ($)