|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| NPRR Number | 338 | NPRR Title | Modifications to Support Revenue Neutrality | |
| Timeline | Normal | Action | | Recommended Approval |
| Date of Decision | | April 21, 2011 | | |
| Proposed Effective Date | | To be determined. | | |
| Priority and Rank Assigned | | To be determined. | | |
| Nodal Protocol Sections Requiring Revision | | 9.2.5, DAM Resettlement Statement  9.19, Partial Payments by Invoice Recipients | | |
| Revision Description | | This Nodal Protocol Revision Request (NPRR) deducts the amount collected for the shortfall charges for Congestion Revenue Right (CRR) Owners from the amount received on all Real-Time Market (RTM) Invoices prior to prorating the payout to the RTM Invoice Recipients.  This NPRR also adds language to allow ERCOT to resettle the Day-Ahead Market (DAM) in the event that a DAM Settlement error, which does not otherwise meet the Protocol requirements for resettlement, will impact ERCOT’s ability to achieve revenue neutrality. | | |
| Reason for Revision | | The reasons for this revision are:   1. To facilitate revenue neutrality in the CRR Balancing Account closure process in the event of a short payment on the RTM Invoices. The amount collected from the RTM Invoices for the monthly refunds to the short-paid Day-Ahead CRR Owners should be deducted before calculating the pro-rated payout to the short-paid RTM Invoice Recipients. This is consistent with the treatment of those funds for RTM Invoice payout when there is not a short-pay. 2. To facilitate ERCOT’s revenue neutrality by allowing ERCOT to perform a DAM Resettlement Statement to resolve a DAM Settlement error that impacts ERCOT’s ability to achieve revenue neutrality. | | |
| Overall Market Benefit | | Maintains ERCOT’s revenue neutrality and ensures accurate Settlement of the DAM. | | |
| Overall Market Impact | | Unknown. | | |
| Consumer Impact | | Unknown. | | |
| Credit Impacts | | To be determined. | | |
| Procedural History | | * On 3/17/11, NPRR338, the associated Impact Analysis and Cost Benefit Analysis were posted. * On 4/21/11, PRS considered NPRR338. | | |
| PRS Decision | | On 4/21/11, PRS unanimously voted to recommend approval of NPRR338 as submitted. All Market Segments were present for the vote. | | |
| Summary of PRS Discussion | | On 4/21/11, it was explained that NPRR338 provides ERCOT with guidance on how to perform resettlements that are not handled under the 2% rule or a price correction; and that it facilitates revenue neutrality in the CRR Balancing Account closure process in the event of a short payment on the RTM Invoices. | | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Quantitative Impacts and Benefits | | | | |
| Assumptions | | 1 |  | |
| 2 |  | |
| 3 |  | |
| 4 |  | |
| Market Cost | |  | **Impact Area** | Market Cost |
| 1 | *Unknown.* |  |
| 2 |  |  |
| 3 |  |  |
| 4 |  |  |
| Market Benefit | |  | **Impact Area** | **Monetary Impact** |
| 1 | *Maintains ERCOT’s revenue neutrality.* |  |
| 2 | *Accurate Settlement of the DAM.* |  |
| 3 |  |  |
| 4 |  |  |
| Additional Qualitative Information | | 1 |  | |
| 2 |  | |
| 3 |  | |
| 4 |  | |
| Other Comments | | 1 |  | |
| 2 |  | |
| 3 |  | |
| 4 |  | |

|  |  |
| --- | --- |
| Sponsor | |
| Name | Ohlen Genove |
| E-mail Address | [ogenove@ercot.com](mailto:ogenove@ercot.com) |
| Company | ERCOT |
| Phone Number | 512-248-6798 |
| Cell Number |  |
| Market Segment | N/A |

|  |  |
| --- | --- |
| **Market Rules Staff Contact** | |
| **Name** | Sonja B. Mingo |
| **E-Mail Address** | [smingo@ercot.com](mailto:smingo@ercot.com) |
| **Phone Number** | 512-248-6463 |

|  |  |
| --- | --- |
| **Comments Received** | |
| Comment Author | **Comment Summary** |
| None. |  |

|  |
| --- |
| Comments |

Please also note that the following NPRR also proposes revisions to the following section that is included within this NPRR:

* NPRR347, Single Daily Settlement Invoice (formerly “Counter-Party Invoice and Single Daily Settlement Invoice”)
  + Section 9.19

|  |
| --- |
| Proposed Protocol Language Revision |

9.2.5 DAM Resettlement Statement

(1) ERCOT shall issue DAM Resettlement Statements for a given DAM if the ERCOT Board finds that the DAM Locational Marginal Prices (LMPs), Market Clearing Prices for Capacity (MCPCs), or Settlement Point Prices are significantly affected by a software or data error under Section 4.5.3, Communicating DAM Results. ERCOT shall also produce DAM Resettlement Statements required by resolution of Settlement and Billing disputes.

(2) ERCOT shall issue a DAM Resettlement Statement for a given DAM due to error in data other than prices when the total of all errors in data other than prices results in an impact greater than 2% of the total payments due to ERCOT for the DAM, excluding bilateral transactions. ERCOT shall issue DAM Resettlement Statements as soon as possible to correct the errors. ERCOT shall review this percentage on an annual basis. Upon the review, ERCOT may make a recommendation to revise this percentage under Section 21, Process for Nodal Protocol Revision.

(3) ERCOT shall issue a DAM Resettlement Statement for an Operating Day if an error in the DAM Settlement, which does not otherwise meet the Protocol requirements for resettlement as specified in paragraphs (1) and (2) above, will prevent ERCOT from achieving revenue neutrality.

(4) A DAM Resettlement Statement must reflect differences to financial records generated on the previous Settlement Statement for the given DAM.

9.19 Partial Payments by Invoice Recipients

If at least one Invoice Recipient owing funds does not pay its Day-Ahead Market (DAM) or Real-Time Market (RTM) Invoice in full (i.e., a short-pay), ERCOT shall follow the procedure set forth below:

(a) ERCOT shall make every reasonable attempt to collect payment from each short-paying Invoice Recipient prior to four hours preceding the close of the Bank Business Day Central Prevailing Time (CPT) on the day that payments by ERCOT are due to be paid to applicable Invoice Recipient(s).

(b) ERCOT shall draw on any available security pledged to ERCOT by each short-paying Invoice Recipient that did not pay the amount due under paragraph (a) above. ERCOT may, in its sole discretion, hold up to five percent of security (posted collateral) of each short-paying Invoice Recipient and use those funds to pay subsequent Settlement Invoices as they become due. Any funds still held after the last True-Up Statements will be applied to unpaid Invoices in conjunction with the default uplift process outlined in Section 9.19.1, Default Uplift Invoices.

(c) ERCOT shall offset or recoup any amounts owed, or to be owed, by ERCOT to a short-paying Invoice Recipient against amounts not paid by that Invoice Recipient, and ERCOT shall apply the amount offset or recouped to cover short pays by that Invoice Recipient. ERCOT may, in its sole discretion, hold credit Invoices and use those funds to pay subsequent Settlement Invoices as they become due. Any funds still held after the last True-Up Statement will be offset or recouped against unpaid Invoices in conjunction with the default uplift process outlined in Section 9.19.1.

(d) If, after taking the actions set forth in paragraphs (a), (b) and (c) above, ERCOT still does not have sufficient funds to pay all amounts that it owes to DAM Invoice Recipients in full, ERCOT shall deduct any applicable DAM administrative fees as specified in Section 9.16, Administrative Fees, payments for Reliability Must-Run (RMR) Services and amounts calculated for the Congestion Revenue Right (CRR) Balancing Account from the amount received or collected and then reduce payments to all DAM Invoice Recipients owed monies from ERCOT. If, after taking the actions set forth in paragraphs (a), (b) and (c) above, ERCOT still does not have sufficient funds to pay in full all amounts owed to RTM Invoice Recipients, ERCOT shall deduct any applicable RTM administrative fees as specified in Section 9.16, payments for RMR Services, and RTM CRR shortfall charges as specified in paragraph (3) of Section 7.9.3.3, Shortfall Charges to CRR Owners,, from the amount received or collected and reduce payments to all RTM Invoice Recipients owed monies from ERCOT except for monies owed for RMR Services. The reductions must be based on a pro rata basis of monies owed to each DAM or RTM Invoice Recipient, to the extent necessary to clear ERCOT’s accounts on the payment due date to achieve revenue neutrality for ERCOT. ERCOT shall provide to all Market Participants payment details on all short pays and subsequent reimbursements of short pays. Details must include the identity of each short-paying Invoice Recipient and the dollar amount attributable to that Invoice Recipient, broken down by Invoice numbers. In addition, ERCOT shall provide the aggregate total of all amounts due to all Invoice Recipients before applying the amount not paid on the DAM or RTM Invoice.

(e) If sufficient funds continue to be unavailable for ERCOT to pay all amounts in full (excluding late fees) to short-paid Entities for that DAM or RTM Invoice, and the short-paying Entity is not complying with a payment plan designed to enable ERCOT to pay all amounts in full (excluding late fees) to short-paid Entities, the following shall occur:

(i) ERCOT will cease charging late fees to the short-paying Entity; provided however, that ERCOT may cease charging late fees earlier than 180 days following a short-payment of a DAM or RTM Invoice if ERCOT, in its sole discretion, determines that the recovery of late fees from the short-paying Entity is unlikely; and

(ii) ERCOT shall uplift short-paid amounts through the Default Uplift process described below in Section 9.19.1 and Section 9.19.2, Payment Process for Default Uplift Invoices.

(f) When ERCOT enters into a payment plan with a short-pay Invoice Recipient, ERCOT shall post to the Market Information System (MIS) Secure Area:

(i) The short-pay plan;

(ii) The schedule of quantifiable expected payments, updated if and when modifications are made to the payment schedule; and

(iii) Invoice dates to which the payments will be applied.

(g) To the extent ERCOT is able to collect past due funds owed by a short-paying Invoice Recipient before the default uplift process defined in Section 9.19.1, ERCOT shall allocate the collected funds to the earliest short-paid Invoice for that short-paying Invoice Recipient. ERCOT shall use its best efforts to distribute collected funds quarterly by the 15th Business Day following the end of a calendar quarter for a short paying Entity when the cumulative amount of undistributed funds held exceed $50,000 on a pro rata basis of monies owed. Subsequently collected funds that have not previously been distributed will be applied against unpaid Invoices in conjunction with the uplift process outlined in Section 9.19.1.

(h) To the extent ERCOT is able to collect past due funds owed by a short-paying Invoice Recipient, after the default uplift process defined in Section 9.19.1, ERCOT shall allocate the collected funds using the same allocation method as in the default uplift process. ERCOT shall use its best efforts to distribute subsequently collected funds quarterly by the 15th Business Day following the end of a calendar quarter for a short paying Entity when the cumulative amount of undistributed funds held exceed $50,000.