



Date: July 12, 2011
To: ERCOT Board of Directors
From: John Dumas, Director of Wholesale Markets Operations
Subject: Proposed Price Correction related to Day Ahead Market (DAM) Settlement Points

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: July 19, 2011

Agenda Item No.: 5

Issue:

Pursuant to paragraph 5 of Protocol Section 4.5.3, Communicating DAM Results, whether the ERCOT Board of Directors (Board) should approve price corrections for Day-Ahead Locational Marginal Prices (LMPs) and Settlement Point Prices (SPPs) for certain Operating Days starting December 3, 2010 through April 5, 2011, for energized Settlement Points which were assigned LMPs and SPPs equal to system lambda due to a software error.

Background/History:

As discussed previously with the Board at its June 21, 2011 meeting, there was a software issue related to DAM price calculation for a specific scenario where a single Point-to-Point (PTP) Obligation bid was placed between an energized Settlement Point and a de-energized Settlement Point, and there were no PTP Obligation bids between the energized Settlement Point in question and another energized Settlement Point. The software issue caused the price for the energized Settlement Point to be set to system lambda. On April 8, 2011, ERCOT implemented a workaround that was in place until April 20, 2011, when this software error was corrected through a system fix for all future Operating Days.

Though the price calculation error first occurred on Operating Day December 3, 2010, the first instance where resettlement would be needed occurred on Operating Day January 21, 2011, due to no Congestion Revenue Rights (CRRs) owned sourcing or sinking at the impacted Settlement Points and no DAM energy awards at the impacted Settlement Points until that Operating Day. For the Operating Days where settlements is impacted (January 21, 2011 through April 5, 2011), almost all impacts are to CRR Account Holders. A small number of Qualified Scheduling Entity (QSE) DAM awards were impacted. In total, 72 Operating Days and 73 unique Settlement Points were impacted by the software error. However, the estimated settlements impact is only for 29 Operating Days, amounting to approximately \$330,000.

Paragraph 5 of Protocol Section 4.5.3 (January 3, 2011 Version) states the following:

All DAM LMPs, [Market Clearing Prices for Capacity] MCPCs, and Settlement Point Prices are final at 1000 of the next Business Day after the Operating Day. After DAM LMPs, MCPCs, and 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. DAM LMPs, MCPCs, and Settlement Point Prices cannot be changed unless the ERCOT Board finds that the DAM LMPs, MCPCs, or Settlement Point Prices



are significantly affected by a software or data error.

ERCOT staff's recommended price corrections for DAM LMPs and Settlement Point Prices for certain Operating Days starting December 3, 2010 through April 5, 2011 will be posted to the Board's webpage on the ERCOT website.

Key Factors Influencing Issue:

Due to software error, some of the energized Settlement Points were inaccurately assigned LMPs/SPPs equal to system lambda for certain Operating Days starting December 3, 2010 through April 5, 2011, which resulted in inappropriate DAM LMPs and Settlement Point Prices for those Settlement Points. Since these prices are considered final under the ERCOT Protocols, ERCOT staff recommends that the Board approve price corrections for the affected DAM Settlement Intervals.

Alternatives:

1. Approve the ERCOT staff recommendation on the price corrections as described above or as modified by the Board;
2. Reject the ERCOT staff recommendation on the price corrections;
3. Defer decision on the price corrections; or
4. Instruct ERCOT staff to consider further information on the price corrections.

Conclusion/Recommendation:

As more specifically described above, ERCOT staff respectfully recommends that the Board approve the price corrections of DAM LMPs and Settlement Point Prices for certain Operating Days starting December 3, 2010 through April 5, 2011, for energized Settlement Points which were assigned DAM LMPs/SPPs of system lambda due to a software error.



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 correct Day Ahead Market (DAM) Locational Marginal Prices (LMPs) and Settlement Point Prices (SPPs) for certain Operating Days starting December 3, 2010 through April 5, 2011 for Settlement Points which were assigned LMPs and SPPs equal to system lambda due to a software error;

WHEREAS, paragraph 5 of the January 3, 2011 version of Nodal Protocol Section 4.5.3, Communicating DAM Results, authorizes the ERCOT Board to approve price corrections only upon a finding that DAM LMPs, Market Clearing Price for Capacity (MCPCs), and SPPs have been significantly affected by a software or data error;

THEREFORE BE IT RESOLVED, that the Board hereby authorizes ERCOT staff to implement the appropriate price corrections.

CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Corporate Secretary of ERCOT, do hereby certify that, at its July 19, 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 July, 2011.

Bill Magness
Corporate Secretary