



Date: July 12, 2011
To: ERCOT Board of Directors
From: Brad Jones, Technical Advisory Committee (TAC) Chair
Subject: Day Ahead Market (DAM) Collateral Parameters Process

Issue for the ERCOT Board of Directors

ERCOT Board of Directors (ERCOT Board) Meeting Date: July 19, 2011

Agenda Item No.: 6c

Issue:

Protocol Section 4.4.10, Credit Requirement for DAM Bids and Offers, requires Board approval of any revisions to the Procedures for Setting Nodal DAM Credit Requirement Parameters.

Background/History:

With experience gained from the first months of the nodal market, ERCOT staff recommended revisions to the DAM credit parameters procedures at the May 25, 2011 Credit Work Group and June 15, 2011 Wholesale Market Subcommittee (WMS) meetings. The proposed revisions would:

- Allow ERCOT greater flexibility in setting pre-DAM collateral requirements;
- Simplify the procedure for new Counter Parties entering the market; and
- Delete the references to the first days of the Nodal market.

At its June 15, 2011 meeting, WMS voted to endorse the ERCOT revisions to the Procedures for Setting Nodal DAM Credit Requirement Parameters. There was one (1) abstention from the Independent Generator Market Segment.

On July 7, 2011, TAC unanimously voted to recommend approval of the revised Procedures for Setting Nodal DAM Credit Requirement Parameters as recommended by the Credit Work Group and WMS.

The TAC recommended document is attached hereto as Attachment A.

Key Factors Influencing Issue:

Considering Credit Work Group, WMS and ERCOT staff input, TAC reviewed the Procedures for Setting Nodal DAM Credit Requirement Parameters and voted to submit the above recommendation to the ERCOT Board or as further defined in Attachment A.

Alternatives:

1. Approve the TAC recommendation for the Procedures for Setting Nodal DAM Credit Requirement Parameters, as described in Attachment A or as modified by the ERCOT Board;
2. Reject the TAC recommendation on the Procedures for Setting Nodal DAM Credit Requirement Parameters;
3. Defer decision on the merits of the Procedures for Setting Nodal DAM Credit Requirement



Parameters; or

4. Remand the Procedures for Setting Nodal DAM Credit Requirement Parameters document to TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC respectfully recommends that the ERCOT Board approve the revised Procedures for Setting Nodal DAM Credit Requirement Parameters as described in Attachment A.



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 revised Procedures for Setting Nodal DAM Credit Requirement Parameters, attached hereto as Attachment A;

WHEREAS. Nodal Protocol Section, 4.4.10, Credit Requirement for Day Ahead Market (DAM) Bids and Offers, requires ERCOT Board approval of the DAM collateral parameters process as well certain parameter values;

THEREFORE be it RESOLVED, that the ERCOT Board hereby approves the revised Procedures for Setting Nodal DAM Credit Requirement Parameters.

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