



Date: September 13, 2011
To: Board of Directors
From: John Dumas, Director of Wholesale Markets Operations
Subject: Proposed Revisions to Modify Previously-Approved Price Correction

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: September 20, 2011

Agenda Item No.: 9

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. This issue was addressed and approved at the Board's July 19, 2011 meeting. However, in the process of preparing for re-settlement, ERCOT staff discovered the following: (1) two additional Operating Days were impacted by the software error, thereby increasing the impacted Operating Days from 72 to 74; (2) all 74 Operating Days have resettlement impacts; and (3) the overall resettlement impact of the price corrections increased from an estimate of \$331,000 to \$356,600.

Background/History:

At its July 19, 2011 meeting, the Board approved price corrections pertaining to a software issue related to Day-Ahead Market (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.

ERCOT staff previously reported to the Board that software error impacted 72 Operating Days with an estimated settlements impact for only 29 Operating Days, amounting to approximately \$330,000. In the process of preparing for re-settlement, ERCOT staff discovered the following: two additional Operating Days were impacted by the software data, thereby increasing the impacted Operating Days from 72 to 74; (2) each of the 74 Operating Days (as opposed to the previously reported 29 Operating Days) had some level of financial impact to at least one Congestion Revenue Right (CRR) Account Holder; And (3) the overall resettlement impact increased from an estimate of \$331,000 to \$356,600.

The revised 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 the revised price corrections for the affected DAM Settlement Intervals.

Alternatives:

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

Conclusion/Recommendation:

As more specifically described above, ERCOT staff recommends that the Board approve the revised 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, paragraph 5 of the January 3, 2011 version of Nodal Protocol Section 4.5.3, Communicating Day-Ahead Market (DAM) Results, authorizes the ERCOT Board of Directors (Board) to approve price corrections only upon a finding that DAM Locational Marginal Prices (LMPs), Market Clearing Price for Capacity (MCPCs), and Settlement Point Prices have been significantly affected by a software or data error;

WHEREAS, the Board deems it desirable and in the market's best interest to correct DAM LMPs and Settlement Point Prices 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;

THEREFORE BE IT RESOLVED, that the Board hereby authorizes ERCOT staff to implement the appropriate price corrections based upon the revised data presented at its September 20, 2011 meeting.

CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Corporate Secretary of ERCOT, do hereby certify that, at its September 20, 2011 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by _____.

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

Bill Magness
Corporate Secretary