

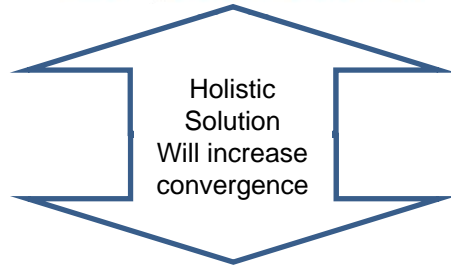
Proposed Comments on STEC
Presentation focusing on CRR
Auction Revenues

CRR Revenue Offsetting Congestion Cost

STEC based
congestion cost on
Real Time Market



Question: Using STEC's
assumptions what percentage of
Congestion Cost would be offset
by CRR Revenue?



Note: CRR Revenues are
allocated on Load Ratio Share,
while Congestion is allocated
based upon Location.

When MP
have
confidence
in consistent
treatment of
congestion
then
Revenues
will Offset
Cost



CRR Account Holder



QSE with no Load



QSE representing Load



CRR Revenue reduces the Cost of Congestion

- STEC calculated the congestion cost based upon Real Time prices.
- CRR Revenues need to be determined to calculate the true cost of congestion.
- Certain assumptions have to be made in order to determine CRR Revenues
- This analysis uses STEC's assumptions in determining congestion (others have expressed issue with those assumptions)
- This analysis uses data from Jan 1, 2011 through Sept 30, 2011

Real Time Congestion for the South Zone

- Subtract the average of the North, West and Houston Load Zones real time prices from the South LZ real time price
 - \$3.62/MWhr
- South Load Zone average load Jan-Sep is 5,219 MW
- Total congestion load weighted was \$141,000,000
- CRR revenues through OCT Auction are approx \$280,000,000
 - South LZ is 11.4% of total load
 - Total CRR Rev to South LZ is 11.4% x \$280,000,000
 - \$31,932,008
 - Net Congestion = \$141,000,000 - \$31,932,008
 - \$109,542,734
- This provides a reference of actual numbers using STEC's assumptions for congestion

Constraint Management

- STEC assumes in their calculations that the Valley constraint is active in SCED for all hours that the constraint is binding.
- ERCOT stated in the October 6, 2011 TAC meeting that they intended to leave constraints active in SCED when constraints are binding
- Given the above the analysis assumes
 - that the DAM will converge with RT
 - Market will purchase CRRs at least at the same percentages that they have to date.

Day Ahead Analysis

- The DAM should represent the congestion cost. See previous slide.
- Subtract the average of the North, West and Houston Load Zones day ahead prices from the South LZ day ahead price
 - \$1.48/MWhr
 - South Load Zone average load Jan-Sep is 5,219 MW
- Total Day Ahead congestion load weighted was \$45,000,000
- Compare this to the \$141MM of RT, indicates non-convergence
 - Consistent with management of congestion outside of SCED

Day Ahead Analysis

- CRR revenues through OCT Auction are approx \$280,000,000
 - South LZ is 11.4% of total load
 - Total CRR Rev to South LZ is $11.4\% \times \$280,000,000$
 - \$31,932,008
 - Net Congestion = $\$45,000,000 - \$31,932,008$
 - \$13,067,778
 - Therefore assuming DAM and RT convergence given the Holistic Solution and CRR participation at least equal to what has been observed to date we would expect that CRR revenues would be 71% of congestion.
 - \$32MM/\$45MM

Chart Adjusted for CRR Revenue

- The chart below applies a 71% CRR revenue adjustment to the values determined by STEC
- This addresses the single issue of CRR revenues netting against congestion costs.

No Action	WMS Proposal - \$5,000 reset	WMS Proposal \$2,000 reset	WMS Proposal - No Reset	ERCOT Proposal
\$161,266,249	\$62,776,657	\$62,776,657	\$62,776,657	\$30,422,542
\$322,532,499	\$125,553,314	\$121,780,527	\$73,627,854	\$36,215,681
\$483,798,748	\$188,329,971	\$180,784,398	\$84,479,051	\$42,008,819
\$645,064,997	\$251,106,629	\$239,788,268	\$95,330,247	\$47,801,958