



MEMORANDUM

TO: ERCOT Board of Directors

FROM: Dan Jones
Director, Independent Market Monitor

DATE: May 4, 2012

RE: IMM Report for the May 15, 2012 ERCOT Board of Directors Meeting

Please find attached the Wholesale Electricity Market Monthly Report for the ERCOT market for March 2012 that was submitted to the Public Utility Commission of Texas.

Market Issues of Interest

In January 2012, the IMM presented observations at the Reliability Deployments Task Force related to over-mitigation under certain circumstances in SCED that is related to the two-step mitigation process as implemented pursuant to the ERCOT Protocols. It is important to note that the two-step mitigation has been implemented and is performing as designed, and the over-mitigation issue is an unintended outcome inherent in the design.

The most significant effect of the over-mitigation is related to the dispatch of quick-start gas resources (“QSGRs”), where at times the combination of the two-step mitigation process and the tie-breaking logic can result in small base points being unnecessarily received by many QSGRs at the same time. Because QSGRs are initially dispatched from the offline state and must operate at their low sustainable limits or higher once online, the unnecessary simultaneous dispatch of many QSGRs produces an over-supply of capacity that, in turn, will often result in price reversals.

Further examination of these issues has occurred at three meetings of the Congestion Management Working Group (“CMWG”), with discussions of potential short- and long-term solutions that appear promising but remain work-in-progress.

I will be available at the meeting to answer any questions relating to the monthly report or the market issues summarized above.

To the Public Utility Commission of Texas

ERCOT Wholesale Electricity Market Monthly Report

Report Date: Tuesday, April 17, 2012

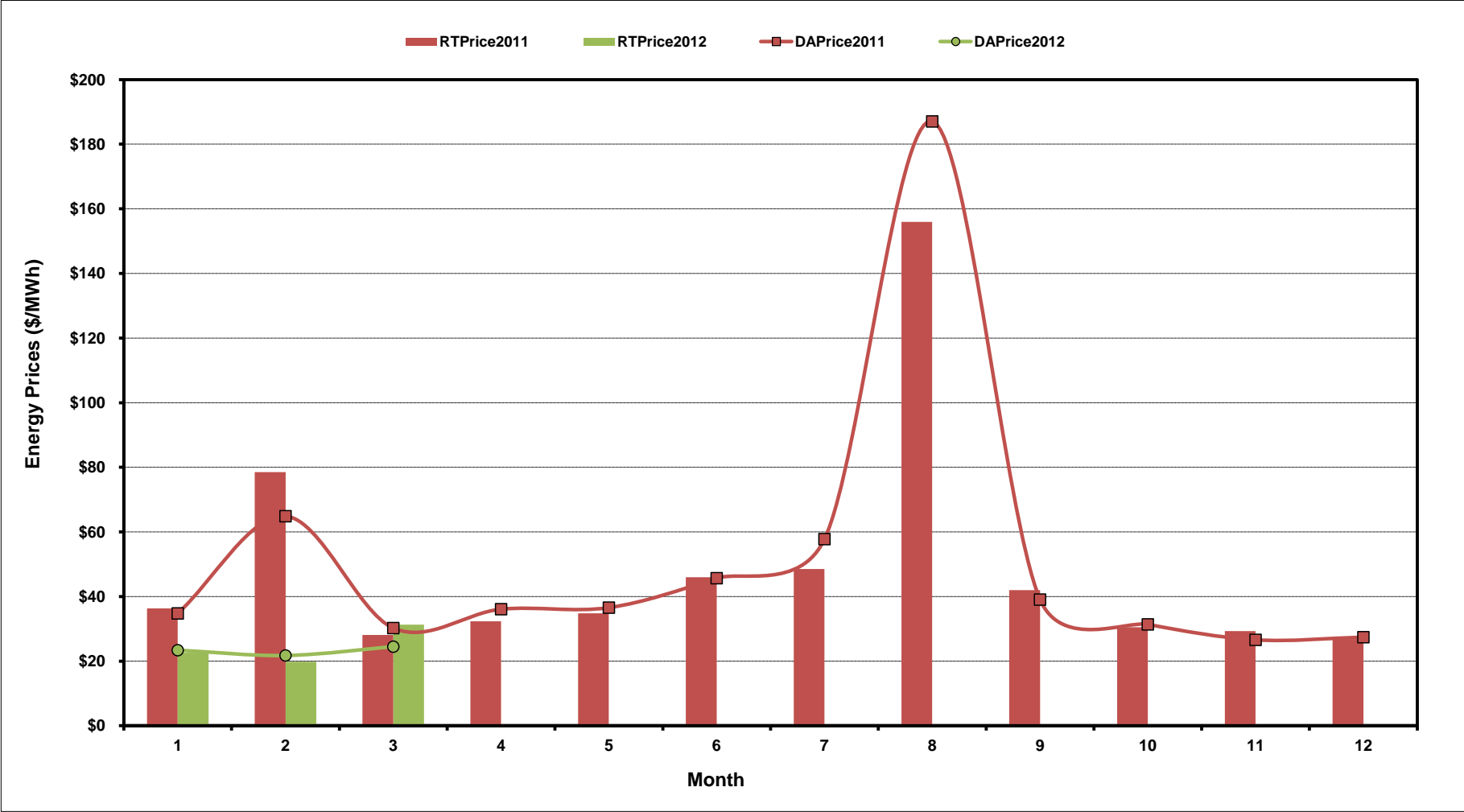
Report By: Potomac Economics, LTD
Independent Market Monitor

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ERCOT-Wide Average Energy Prices DA vs RT

(avg. DA & RT SPPs weighted by Real Time Settlement Loads)



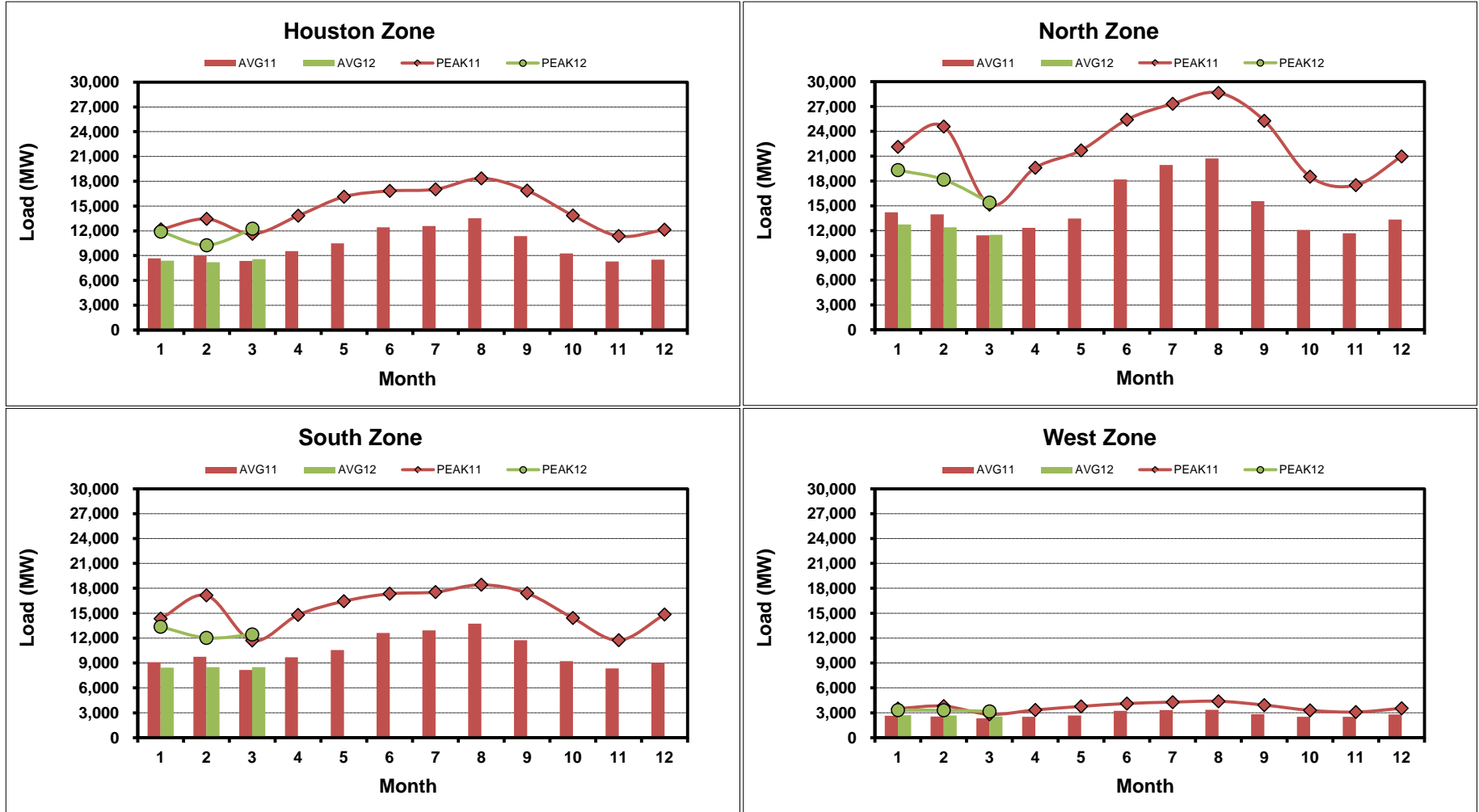
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Load Zone Load Statistics

(Nodal load zone made comparable to zonal sytem Load Zone definitions*)



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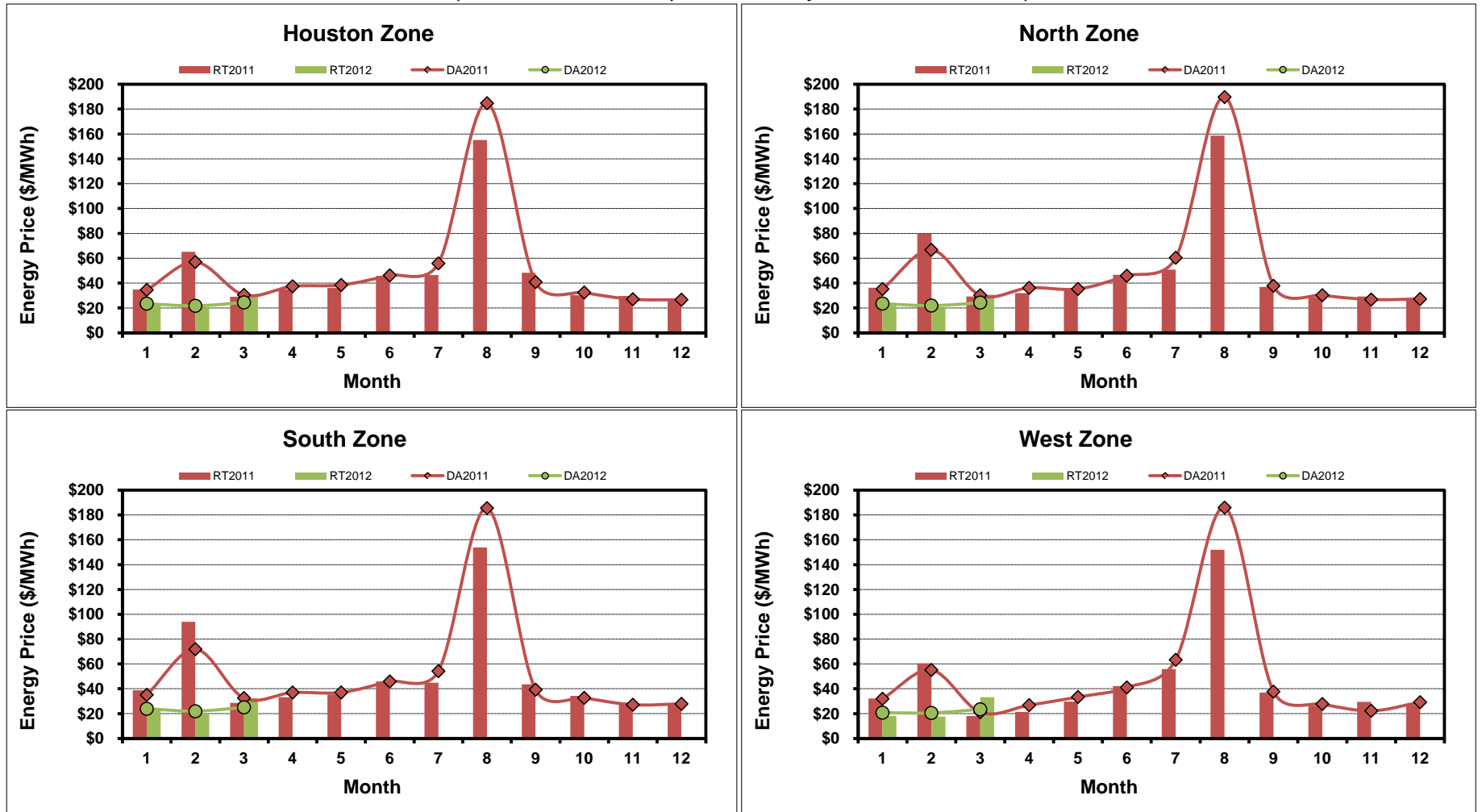
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Note: * Zonal load zone definition vs. Nodal comparable load zone definition: LZ_Houston=LZ_Houston; LZ_West=LZ_West; LZ_North=(LZ_North,LZ_RAYBN); LZ_South=(LZ_South,LZ_CPS,LZ_AEN,LZ_LCRA)

Load Zone Monthly Average Energy Price DA vs RT

(avg. DA & RT SPPs weighted by Real Time Settlement Loads)
 (Nodal load zone made comparable to zonal system Load Zone definitions*)



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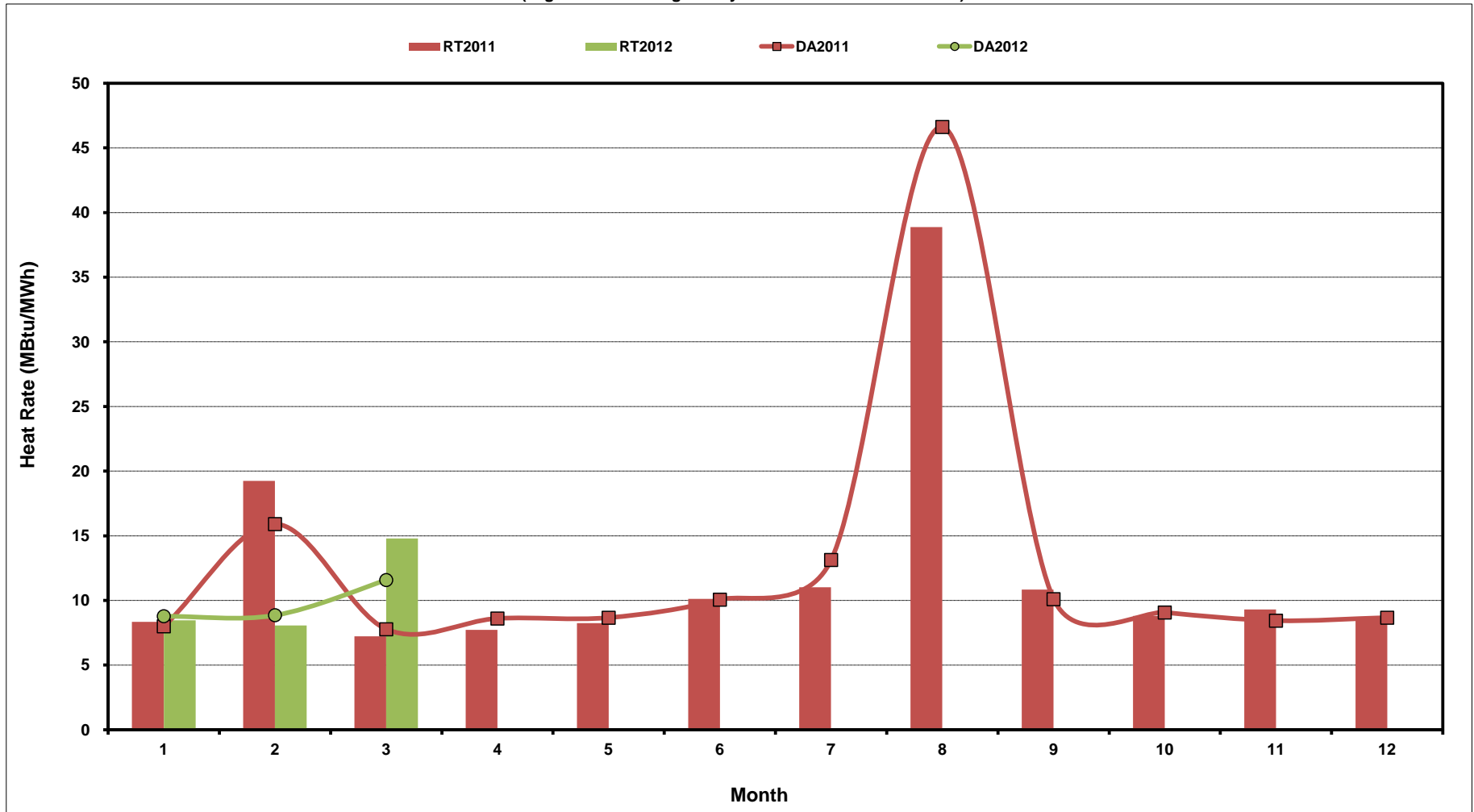
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Note: * Zonal load zone definition vs. Nodal comparable load zone definition: LZ_Houston=LZ_Houston; LZ_West=LZ_West; LZ_North=(LZ_North,LZ_RAYBN); LZ_South=(LZ_South,LZ_CPS,LZ_AEN,LZ_LCRA)

ERCOT-Wide Monthly Implied Heat Rate DA vs RT

(avg. heat rates weighted by Real Time Settlement Loads)



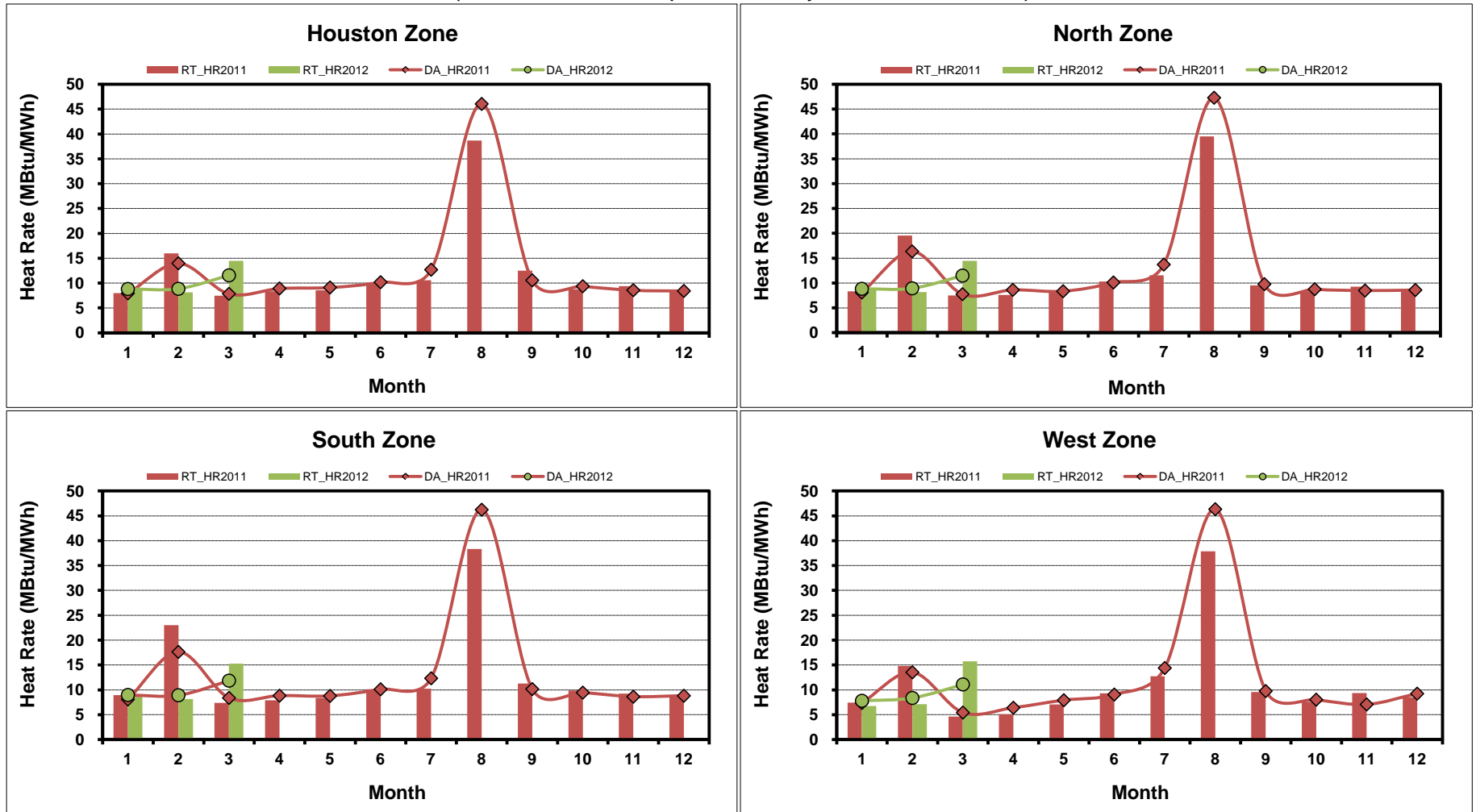
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Load Zone Monthly Implied Heat Rate DA vs RT

(avg. heat rates weighted by Real Time Settlement Loads)
 (Nodal load zone made comparable to zonal system Load Zone definitions*)



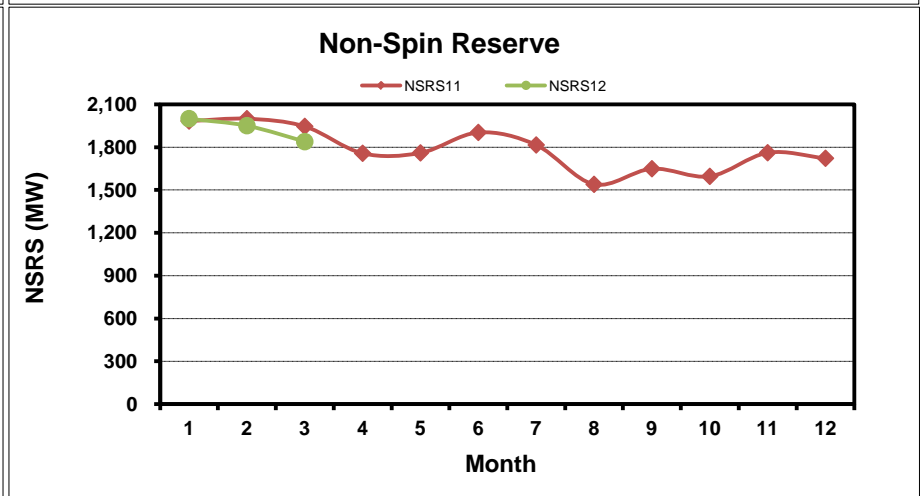
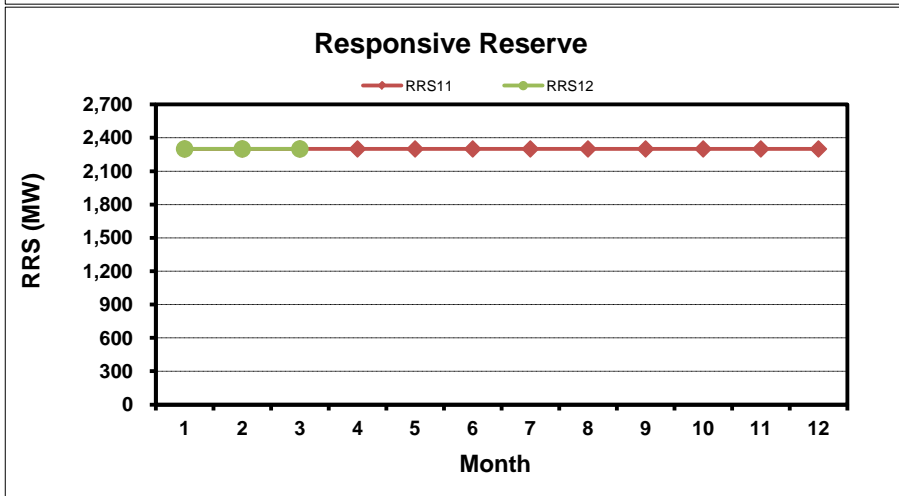
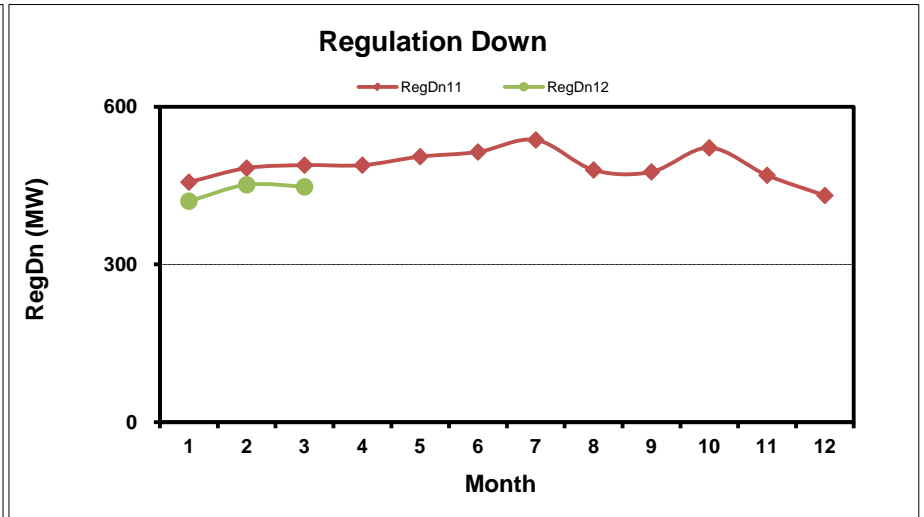
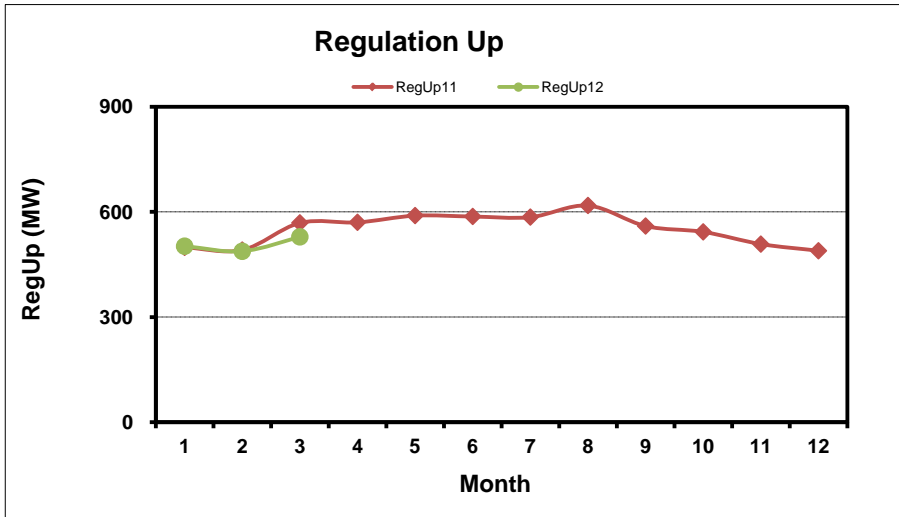
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Monthly Average of Ancillary Services Required MW

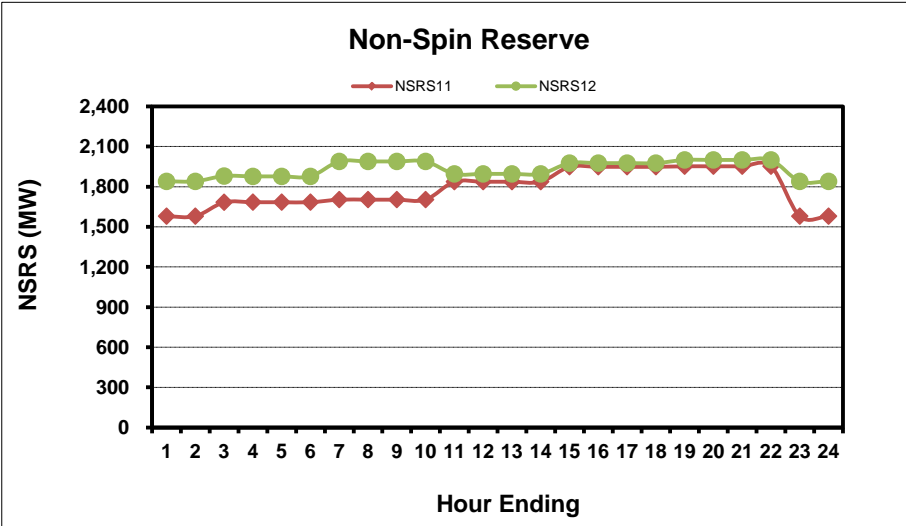
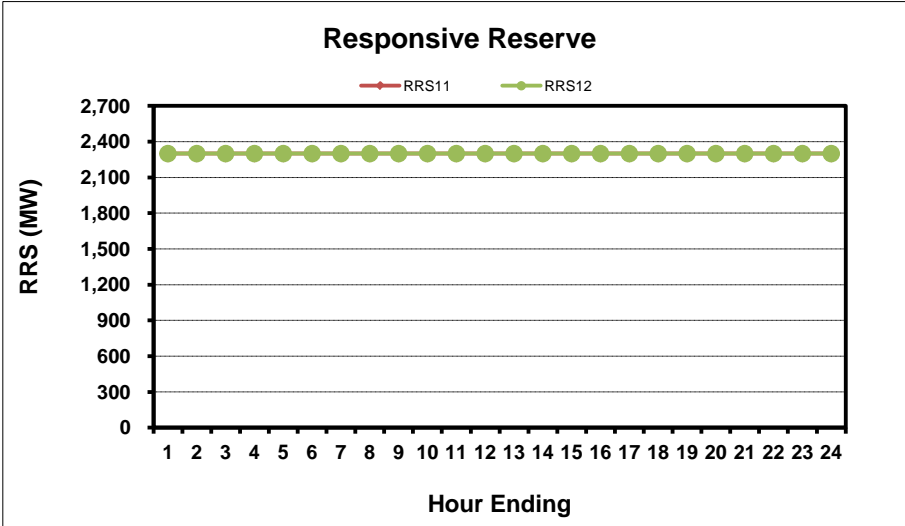
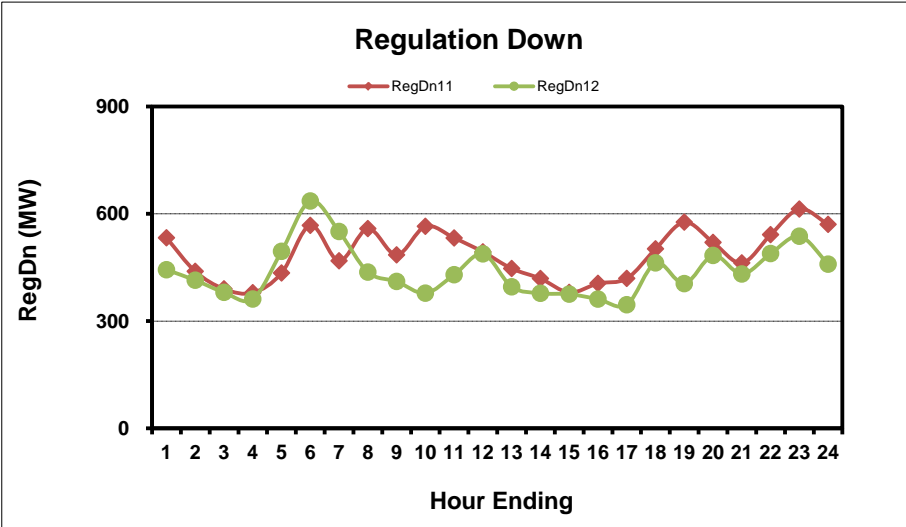
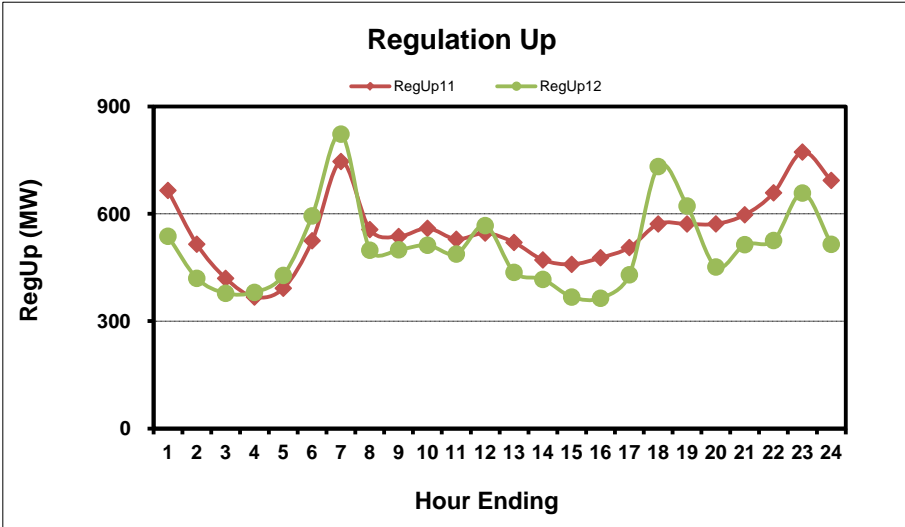


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Hourly Average of Ancillary Services Required MW



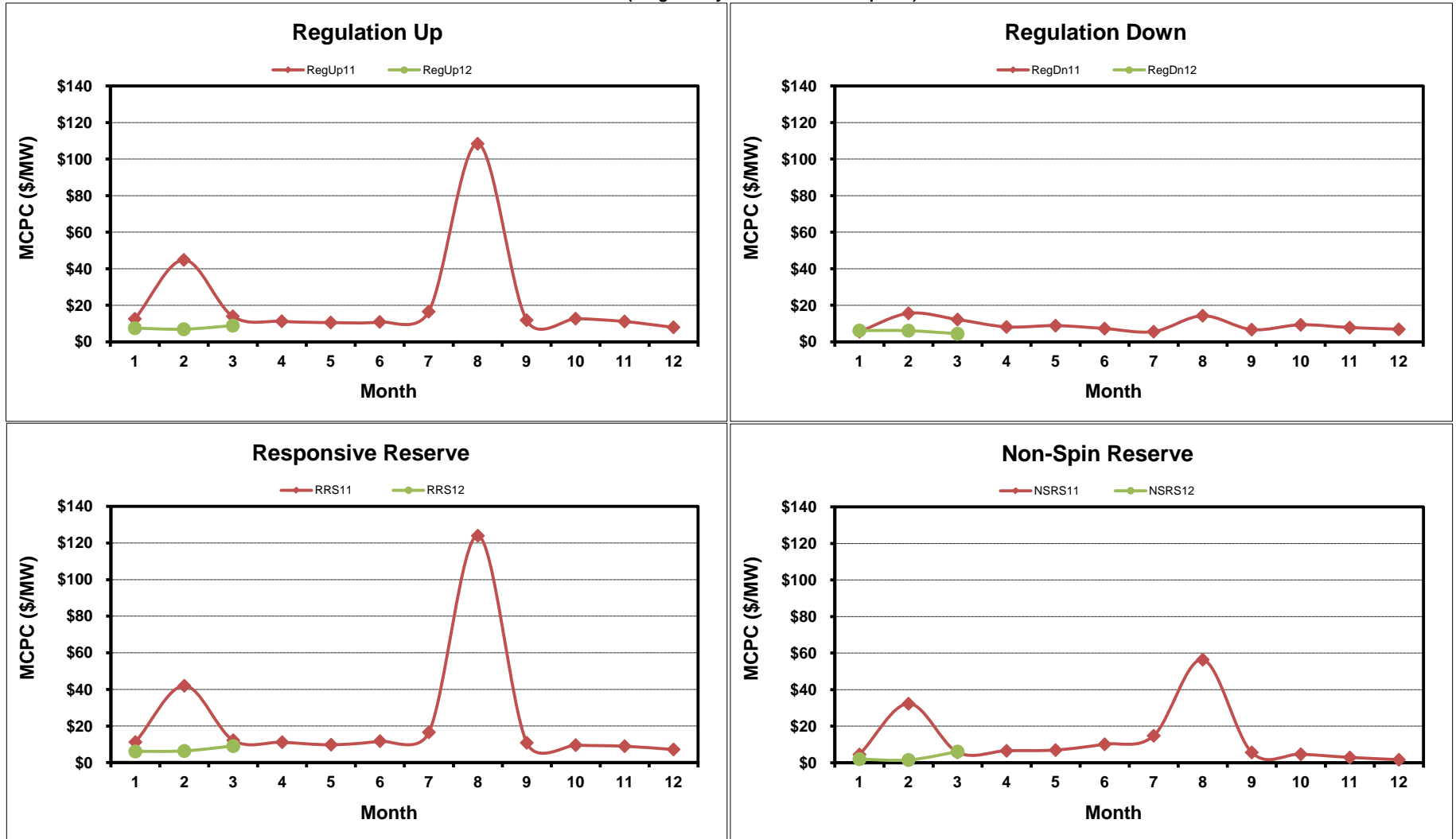
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Monthly Average Ancillary Services Price

(weighted by A/S Quantities Required)

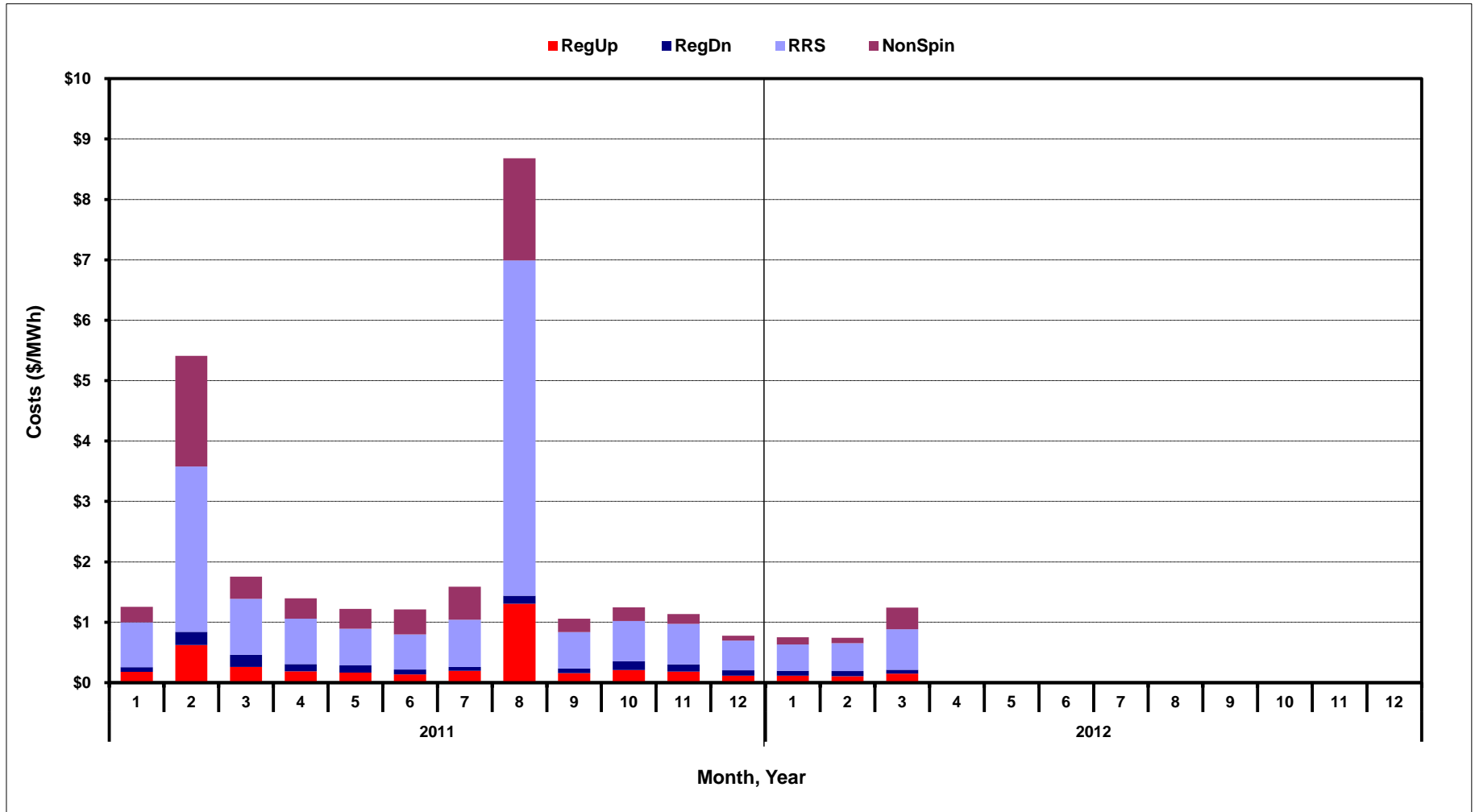


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Monthly Average A/S Cost per MWh Load

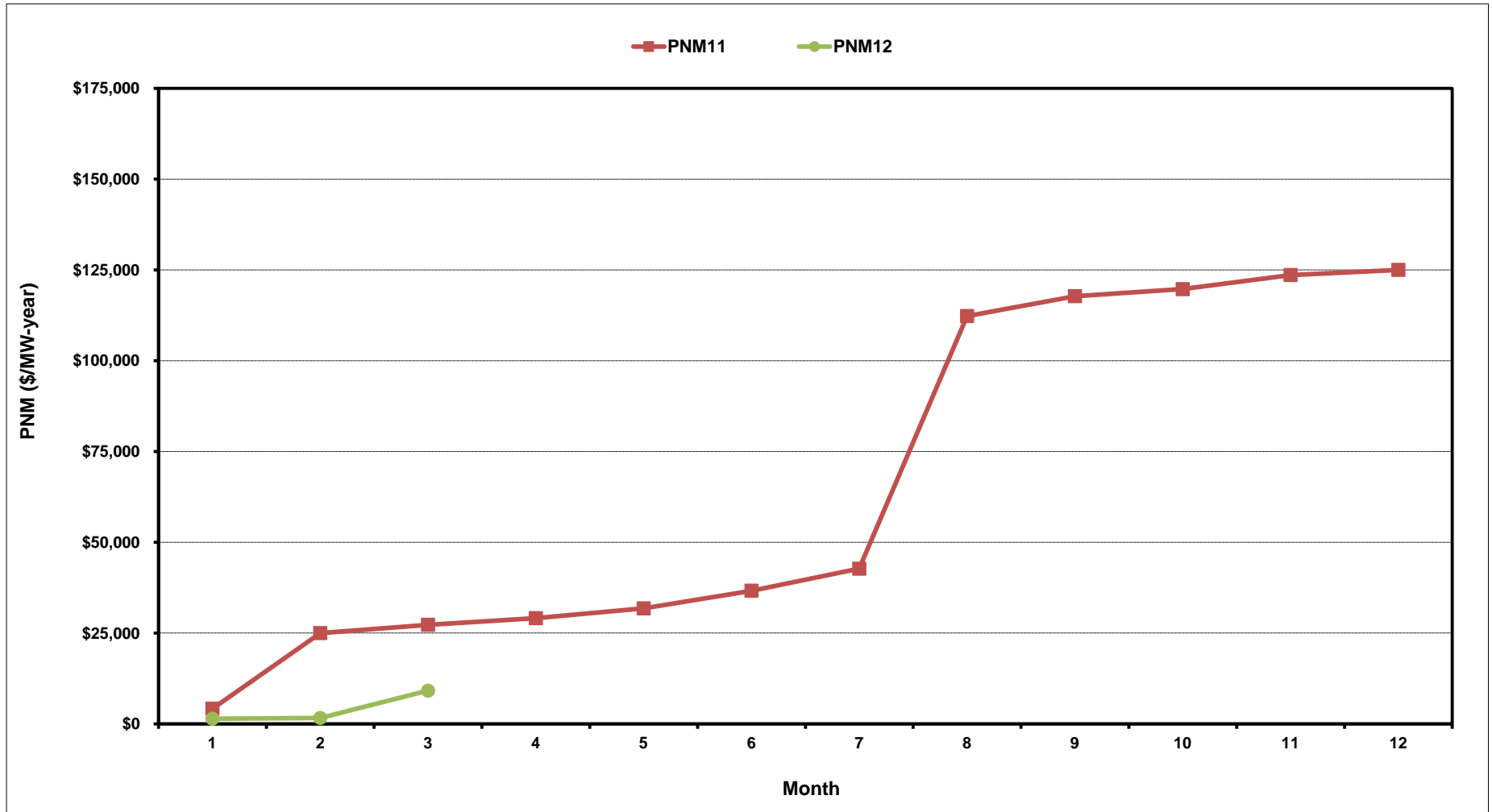


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ERCOT-Wide Cumulative Peaker Net Margin

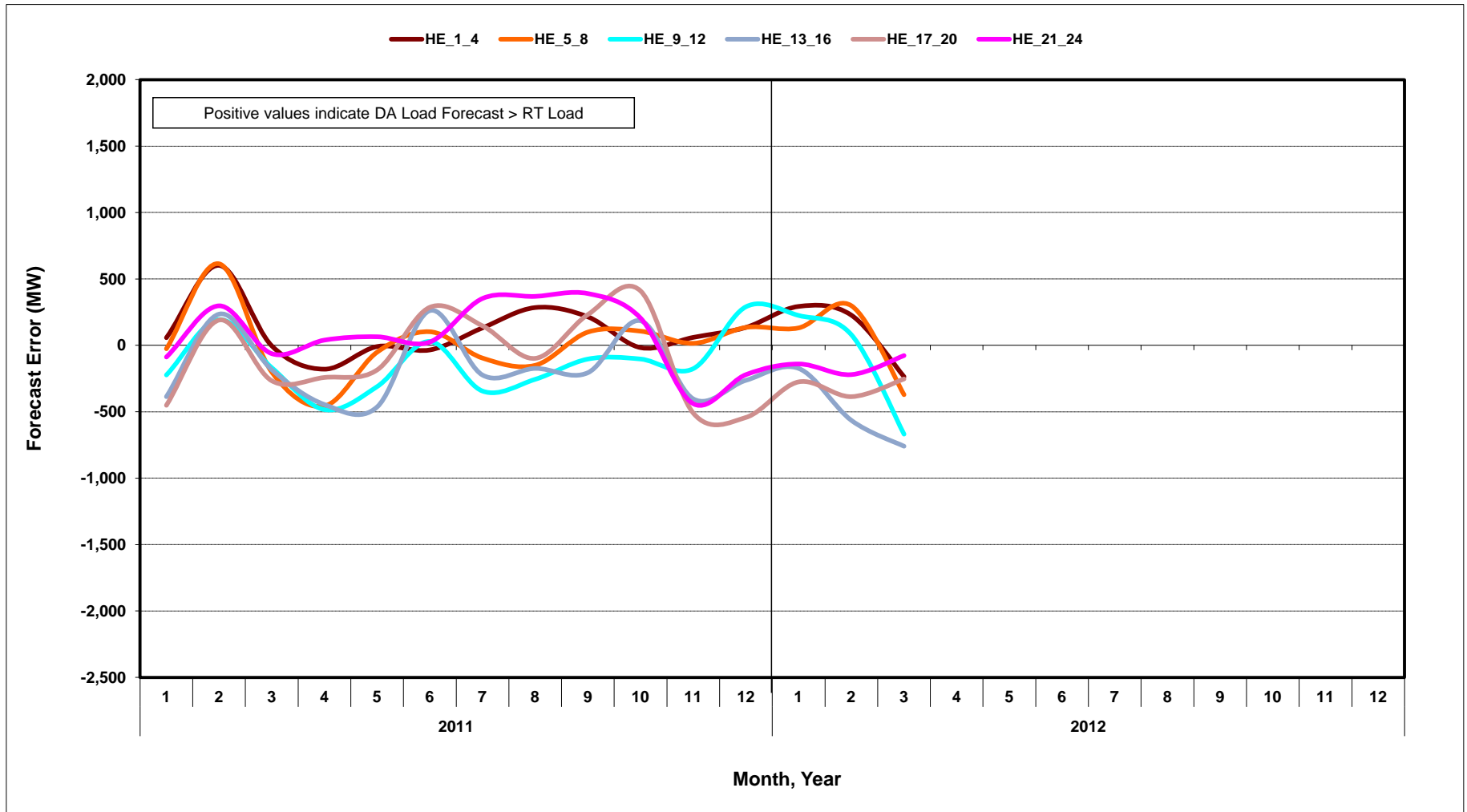


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DA vs. RT Load Forecast Error by Hour Ending

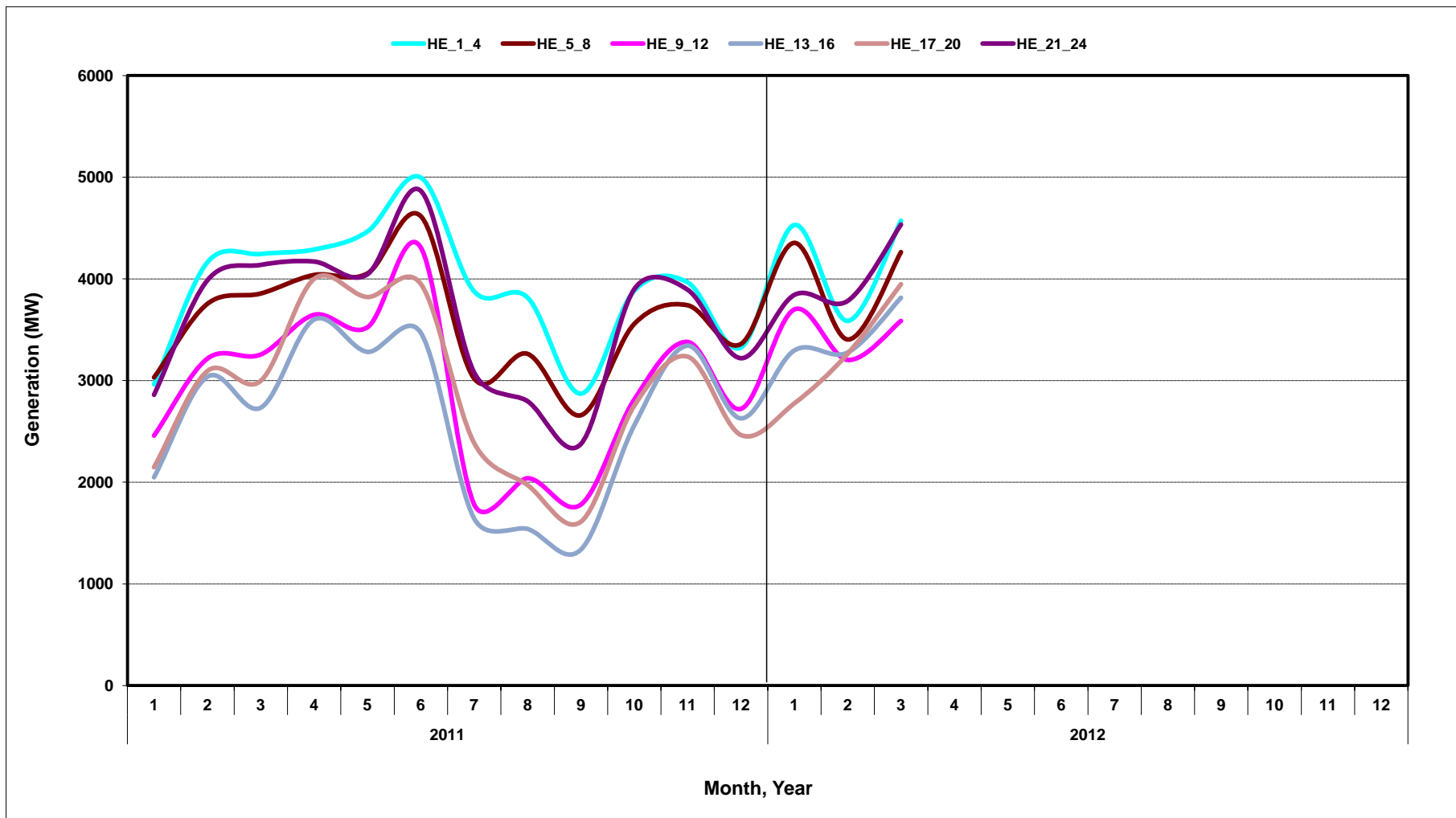


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Monthly Average of Wind Generation by Hour Ending

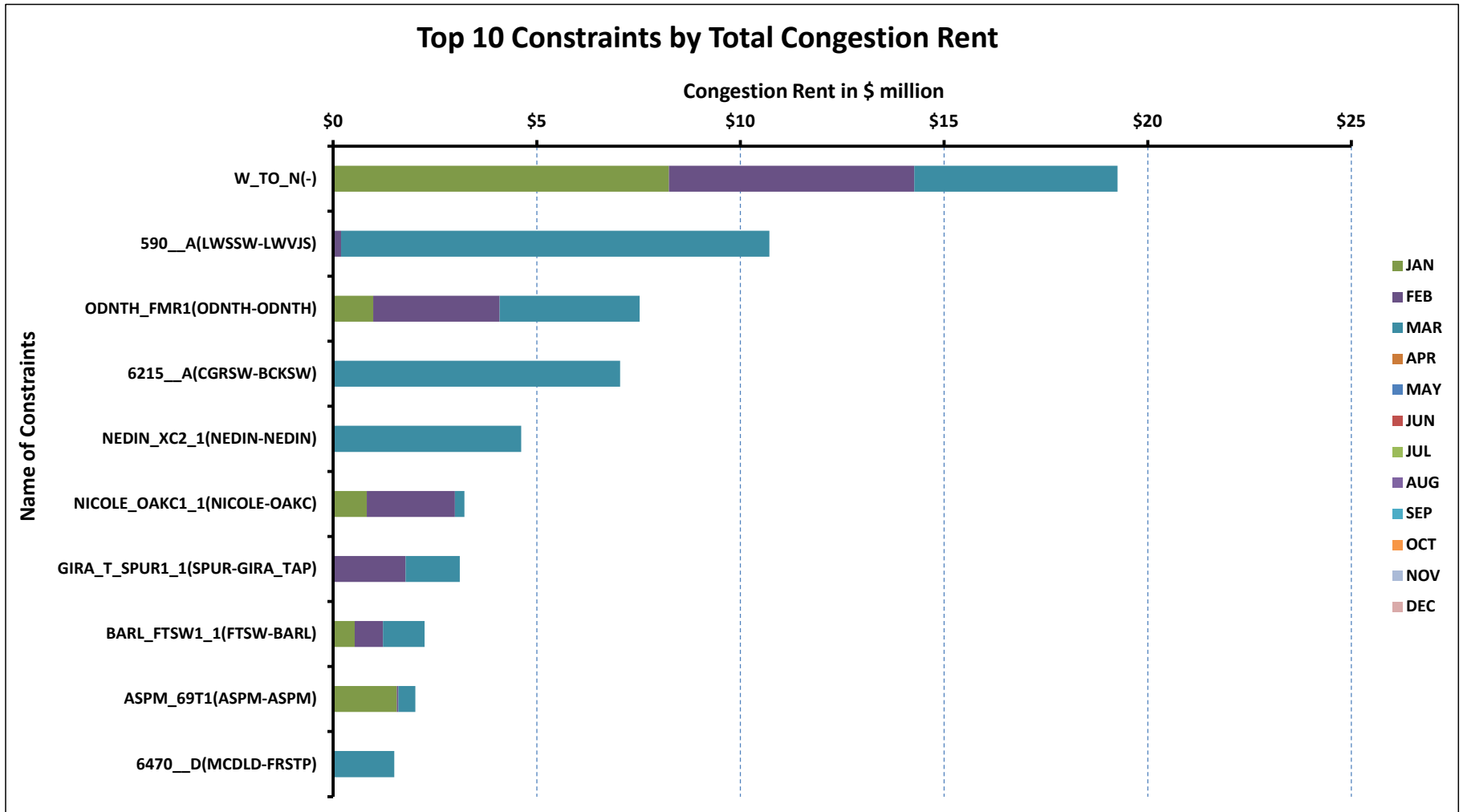


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RT Congestion Constraint Rankings - 1

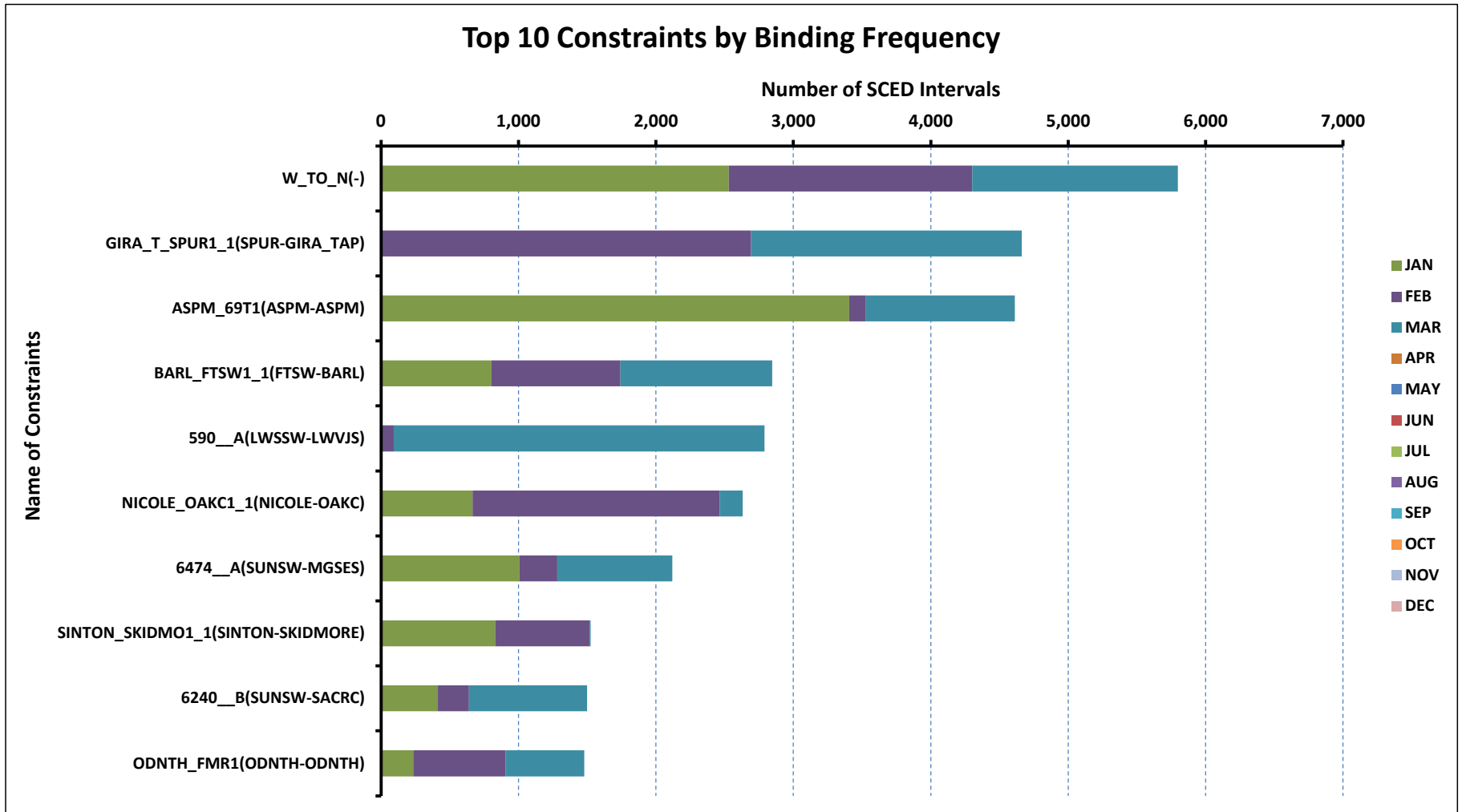


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RT Congestion Constraint Rankings - 2

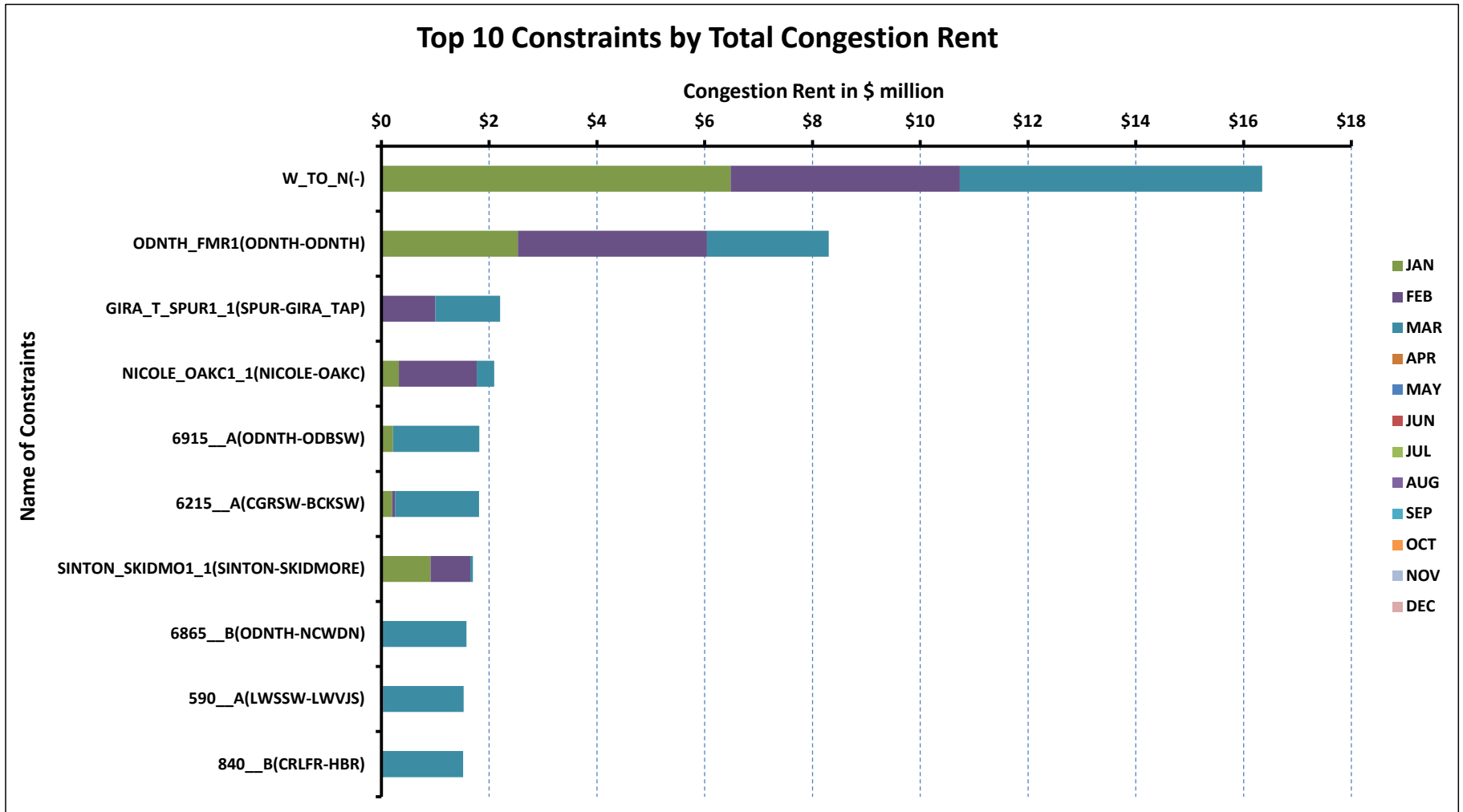


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DA Congestion Constraint Rankings - 1

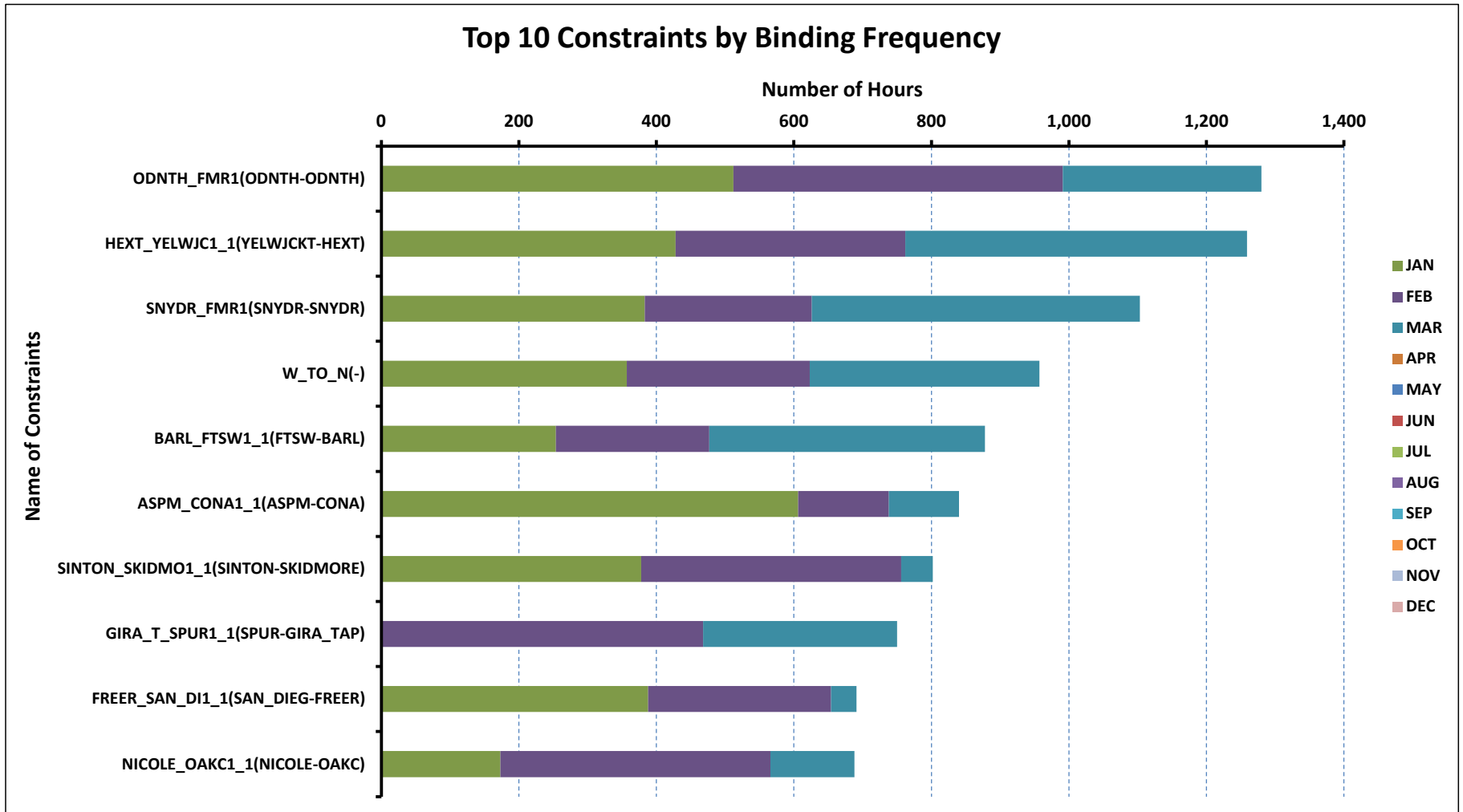


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DA Congestion Constraint Rankings - 2

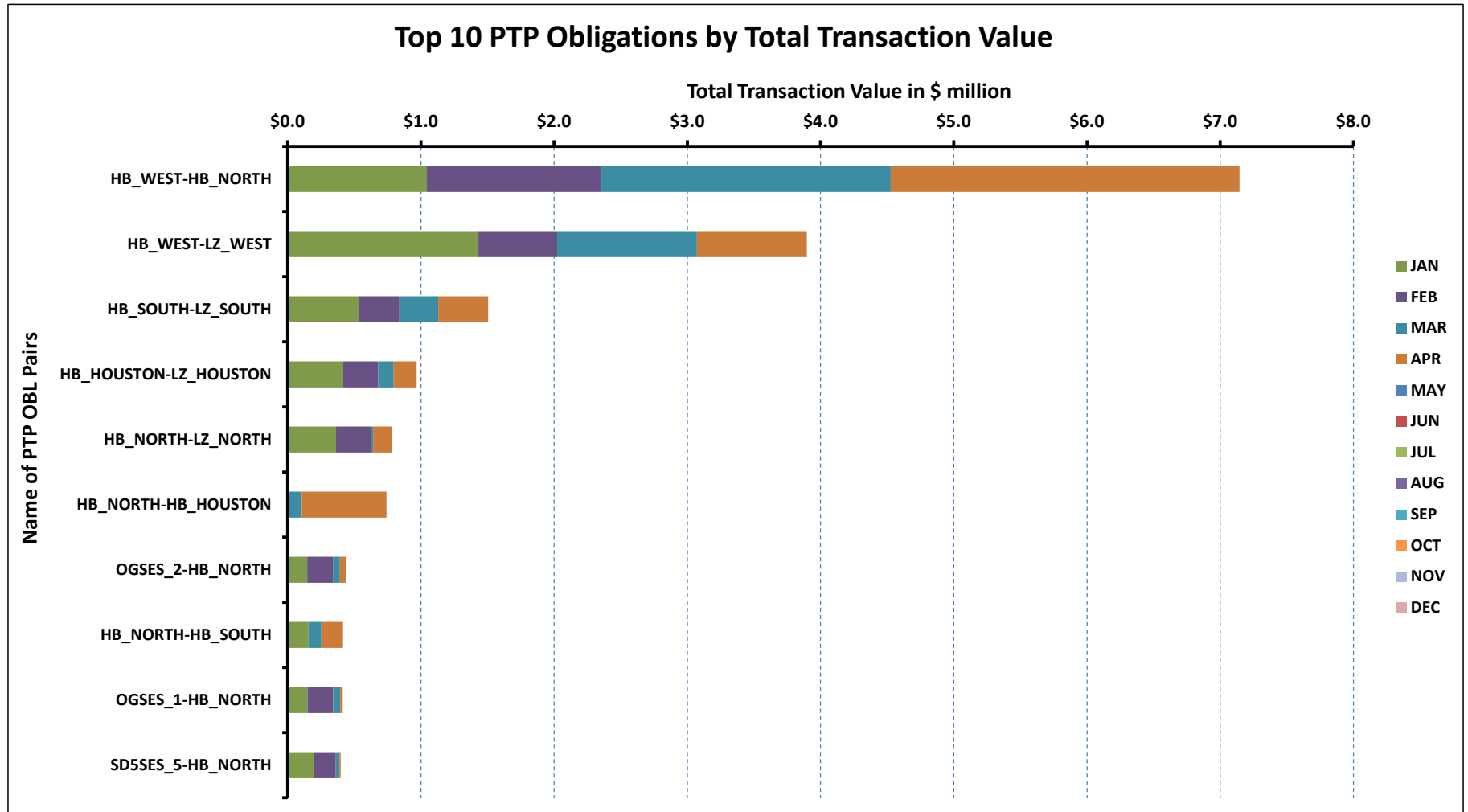


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Top 10 CRR Pairs Ranked by Monthly Auction Values - 1

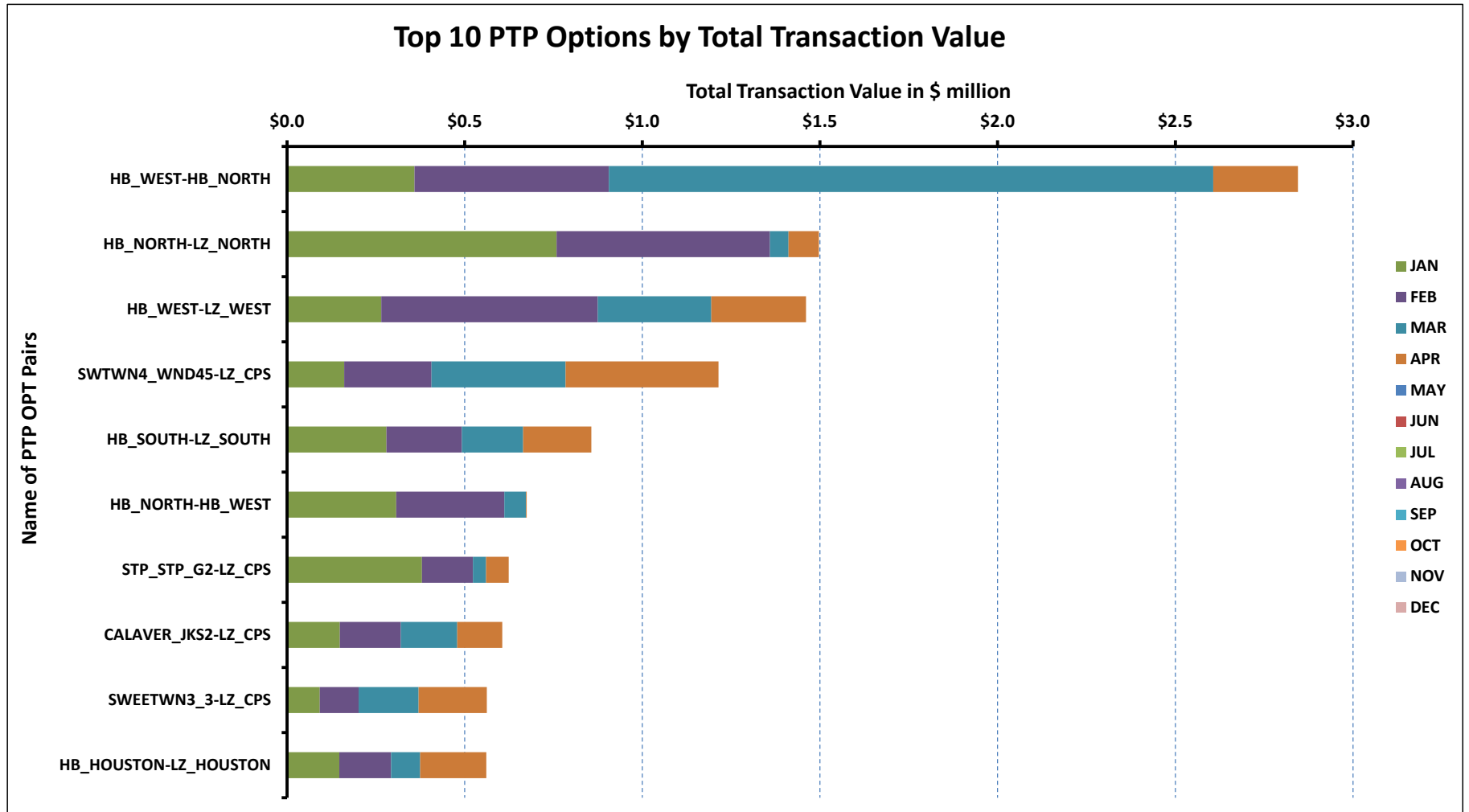


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Top 10 CRR Pairs Ranked by Monthly Auction Values - 2



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