



Item 5: Recommendation regarding Credit Parameters

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ERCOT Public

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Credit Requirement for DAM Bids and Offers

Protocol Section 4.4.10, “Credit Requirement for DAM Bids and Offers” specifies:

A TAC-recommended and ERCOT Board-approved procedure (“Procedures for Setting Nodal Day-Ahead Market Credit Requirement Parameters”), which will be reviewed at least annually and posted on the MIS Public Area, will be used to define and modify the values of “e1,” “e2,” and “e3.”

The Procedure was last approved by F&A and the Board in July 2012.

The existing Procedure with no revisions was endorsed by CWG/MCWG in May and by WMS in June. TAC voted unanimously to recommend to the Board reaffirmation of the current Procedure at its July 2, 2013 meeting.

Credit Requirement for DAM Bids and Offers

Protocol Section 4.4.10, “Credit Requirement for DAM Bids and Offers” specifies:

“For qualified PTP Obligation bids, ERCOT shall reduce the credit exposure in paragraph (6)(d)(i) above, by the product of the bid price, if positive, and the quantity of the bid less than or equal to the quantity of the total of all expiring CRRs at the specified source and sink pair and delivery period, less all valid previously submitted PTP Obligation bids at the specified source and sink pair and delivery period multiplied by a factor initially set at 80% and to be reviewed by TAC and approved by the ERCOT Board at least annually.”

The discount factor was last approved by F&A and the Board in September 2012.

The existing factor with no revisions was endorsed by CWG/MCWG in May and by WMS in June. TAC voted unanimously to recommend to the Board maintaining the current 80% PTP Obligation bid reduction factor at its July 2, 2013 meeting.

Credit Requirement for CRRs

Protocol Section 16.11.4.5(2), “Future Credit Exposure” specifies:

“The parameters to determine ACPE (X and Y) shall be posted on the MIS Public Area. The TAC shall review these values at least annually and may recommend to the ERCOT Board changes to these values.”

	X (FCE)	Y (FCE)
Current value	\$1.00	\$1.50

The values were last approved by F&A and the Board in November 2012.

The existing values with no revisions were endorsed by CWG/MCWG in May and by WMS in June. TAC voted unanimously to recommend to the Board retaining the existing parameters at its July 2, 2013 meeting.

Protocol Section 7.5.5.3, “Auction Process” specifies:

“The additional credit requirement for all awarded PTP Obligations, which is \$A per MW per hour, plus the absolute value of the PTP Obligation bid price multiplied by M...The TAC shall review these values at least annually and may recommend, to the ERCOT Board, changes to these values that become effective at least 30 days prior to a monthly CRR Auction and 60 days prior to an annually CRR Auction.”

	A (Auction)	M (Auction)
Current value	\$0.75	0

The values were last approved by F&A and the Board in November 2012.

The existing values with no revisions were endorsed by CWG/MCWG in May and by WMS in June. TAC voted unanimously to recommend to the Board retaining the existing credit parameters at its July 2, 2013 meeting.

Multiplier for URTA

Protocol Section 16.11.4.1, “Determination of Total Potential Exposure for a Counter-Party” specifies:

M2 = 12 Multiplier for URTA (Unbilled Real-Time Amount). Provides for unbilled historical activity based on historical activity. The multiplier will be recommended by TAC and approved by the ERCOT Board.

Congruent with the reduction in the Real Time Market settlement timeline effected by NPRR509, at its May 29, 2013 meeting CWG/MCWG recommended reducing M2 from 12 to 10 days, effective no earlier than September 1, 2013.

The revision was endorsed by WMS at its June 12, 2013 meeting. TAC voted unanimously to recommend to the Board to reduce the Multiplier for URTA, M2, from 12 to 10 days, effective September 1, 2013, at its July 2, 2013 meeting.

ERCOT staff respectfully requests that the F&A Committee vote to recommend to the Board that:

- The current Procedures for Setting Nodal Day-Ahead Market Credit Requirement Parameters be reaffirmed;
- The current 80% PTP Obligation bid reduction factor be maintained;
- The current credit parameters of $X = \$1.00$, $Y = \$1.50$, $A = \$0.75$, and $M = 0$ be retained; and
- The Multiplier for URTA be reduced from 12 to 10 days, effective September 1, 2013.

TAC voted unanimously for all of these recommendations at its July 2, 2013 meeting.

<VOTE>