



**The Finance & Audit (F&A) Committee is  
expected to consider  
F&A Committee Agenda Item 9:  
*Recommendation regarding  
DAM Credit Parameters:  
Point to Point Obligation Discount Factor*  
at its meeting on November 18, 2013.**

**The Board of Directors is expected to hear the  
F&A Committee's recommendation on this matter  
as part of the F&A Committee Report at  
the Board meeting on November 19, 2013.**

**Attached are the Committee and Board materials  
in relation to these agenda items.**



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## **Item 9: Recommendation regarding DAM Credit Parameters: Point to Point Obligation Discount Factor**

Mark Ruane

Vice President, Credit and Enterprise Risk Management

Finance & Audit Committee

ERCOT Public

November 18, 2013



## Credit Requirement for DAM Bids and Offers

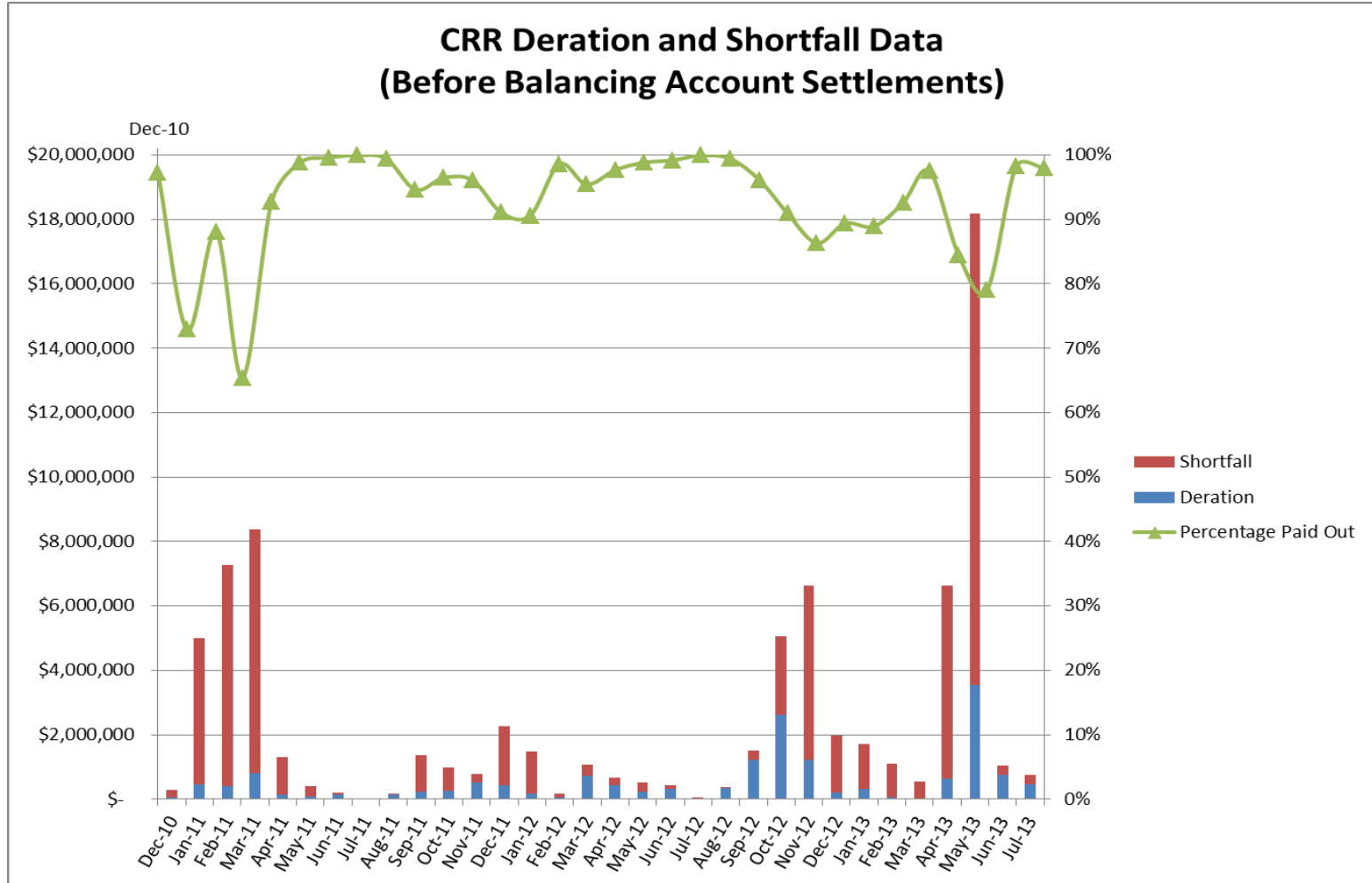
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Protocol Section 4.4.10(6)(d)(iv), “Credit Requirement for DAM Bids and Offers” specifies:

“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 the F&A Committee and the Board in July 2013.

# Credit Requirement for DAM Bids and Offers



## Credit Requirement for DAM Bids and Offers

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Based on historical activity, at its August 2013 meeting CWG/MCWG recommended increasing the discount factor from 80% to 90%.

The increased discount was endorsed by WMS in September 2013.

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

- The current 80% PTP Obligation bid reduction factor be increased to 90%, effective December 1, 2013.

TAC voted unanimously for this recommendation at its October 3, 2013 meeting.

**<VOTE>**

**Date:** November 12, 2013  
**To:** ERCOT Board of Directors  
**From:** Kenan Ögelman, Technical Advisory Committee (TAC) Chair  
**Subject:** DAM Credit Parameters: Point to Point (PTP) Obligation Discount Factor

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors (ERCOT Board) Meeting Date:** November 19, 2013

**Agenda Item No.:** 8.3

**Issue:**

The Protocols require ERCOT Board review and approval of the Point to Point (PTP) Obligation Discount Factor.

**Background/History:**

As specified in paragraph (6)(d)(iv) of Protocol Section 4.4.10, Credit Requirement for DAM Bids and Offers, the ERCOT Board is required approve any revisions to the credit factor as noted below:

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 ERCOT Board last considered the PTP Obligation Discount Factor at its July 16, 2013 meeting.

On October 3, 2013, TAC unanimously voted to recommend revising the PTP Obligation Discount Factor from 80% to 90% effective December 1, 2013.

**Key Factors Influencing Issue:**

Considering Credit Work Group, Wholesale Market Subcommittee (WMS) and ERCOT staff input, TAC voted to revise the PTP Obligation Discount Factor from 80% to 90% effective December 1, 2013.

**Conclusion/Recommendation:**

As more specifically described above, TAC respectfully recommends that the ERCOT Board to revise the PTP Obligation Discount Factor from 80% to 90% effective December 1, 2013.

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, Protocol Section 4.4.10, Credit Requirement for DAM Bids and Offers, requires ERCOT Board approval of changes to the Point to Point (PTP) Obligation Discount Factor;

WHEREAS, the ERCOT Board deems it desirable and in ERCOT's best interest to revise the PTP Obligation Discount Factor from 80% to 90%, effective December 1, 2013.

THEREFORE be it RESOLVED, that the ERCOT Board hereby approves the following a 90% PTP Obligation Discount Factor as specified in paragraph (6)(d)(iv) of Protocol Section 4.4.10 to be effective December 1, 2013.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its November 19, 2013 meeting, the ERCOT Board passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of November 2013.

\_\_\_\_\_  
Vickie G. Leady  
Assistant Corporate Secretary