

Item 5: Independent Market Monitor Report

Beth Garza
Deputy Director, ERCOT IMM

Board of Directors
November 19, 2013

ERCOT Public

Peaker Net Margin vs Net Revenue

Peaker Net Margin

Defined in PUCT Subst R § 25.505 (g) and further explained in the ERCOT Business Practice *System-Wide Offer Cap and Scarcity Pricing Mechanism Methodology*

ERCOT Hub Average 345 kV Hub price – 10 * Houston Ship Channel gas price

Net Revenue

Measure used by Potomac Economics to more fully evaluate the total revenue that can be earned by a new generating unit less its variable production costs

- Technology specific
- Ancillary services revenue included
- Outage rates assumed
- Locational
- Common metric across markets

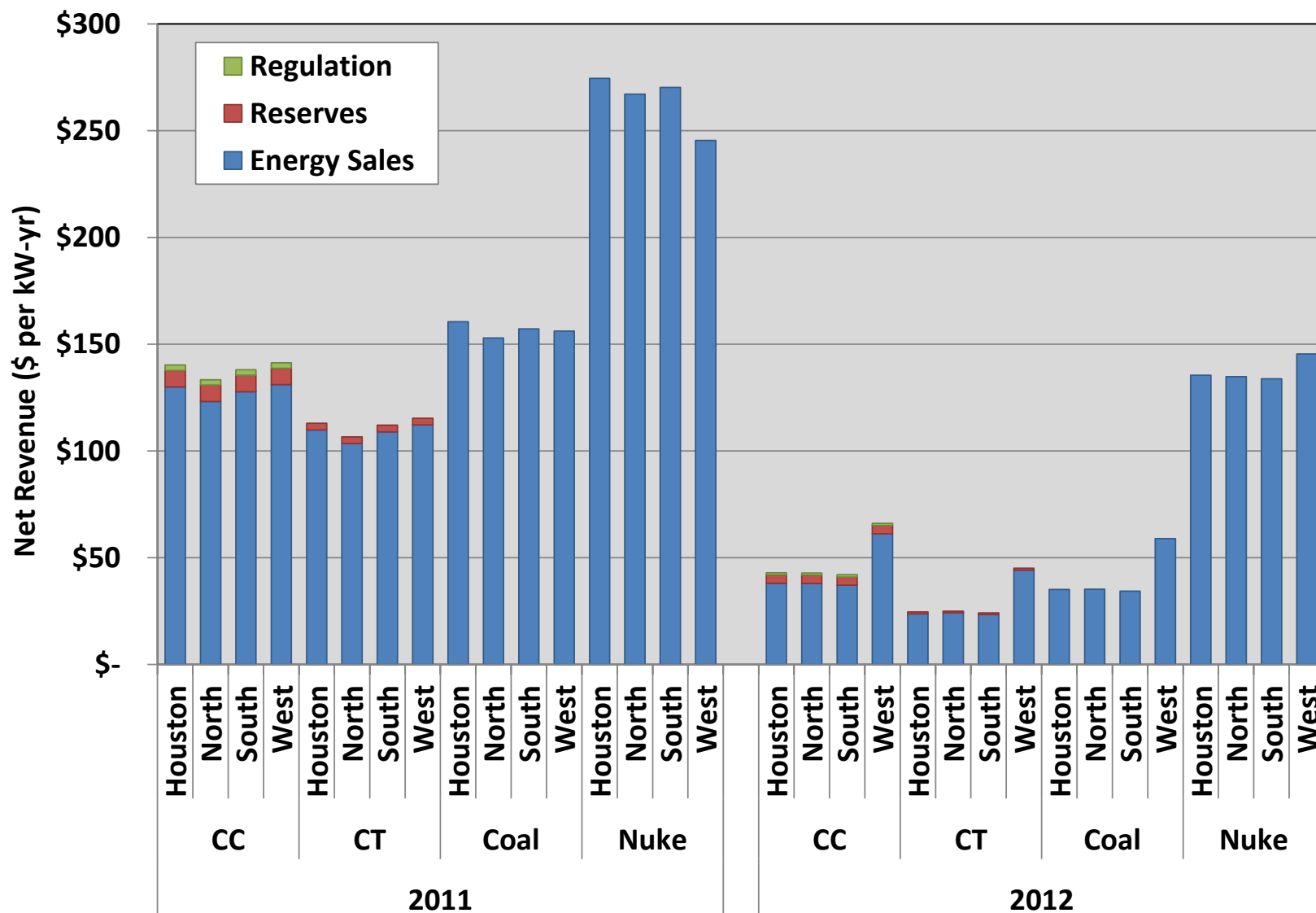
Limitations

Although a more comprehensive measure than Peaker Net Margin, there are several aspects not included in Net Revenue :

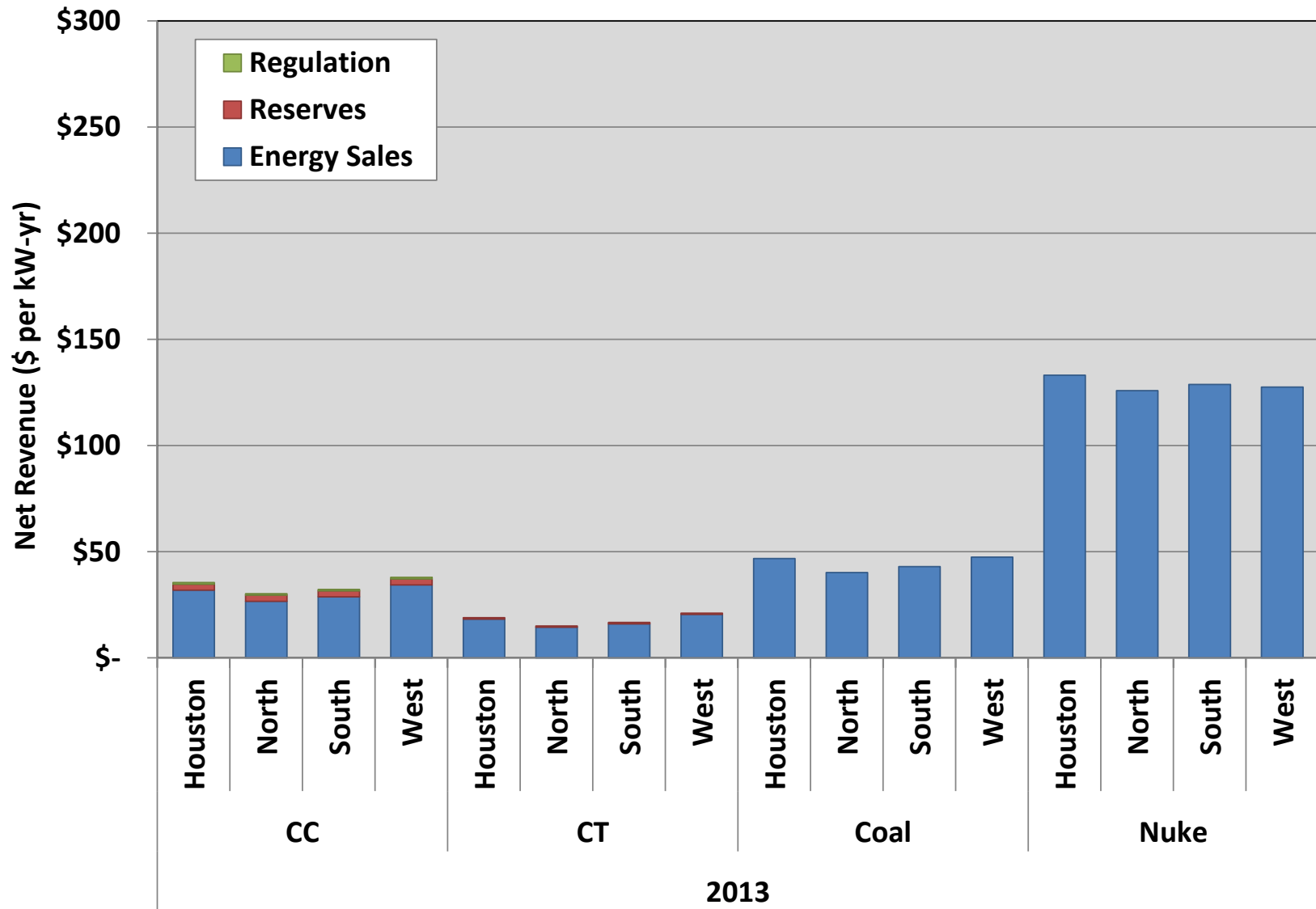
- RMR payments
- RUC payments
- Specific location
- Start-up costs
- Minimum run times
- Ramp rate restrictions

Both Peaker Net Margin and Net Revenue metrics are ‘backward looking’, whereas generation investment is made based on forward expectations.

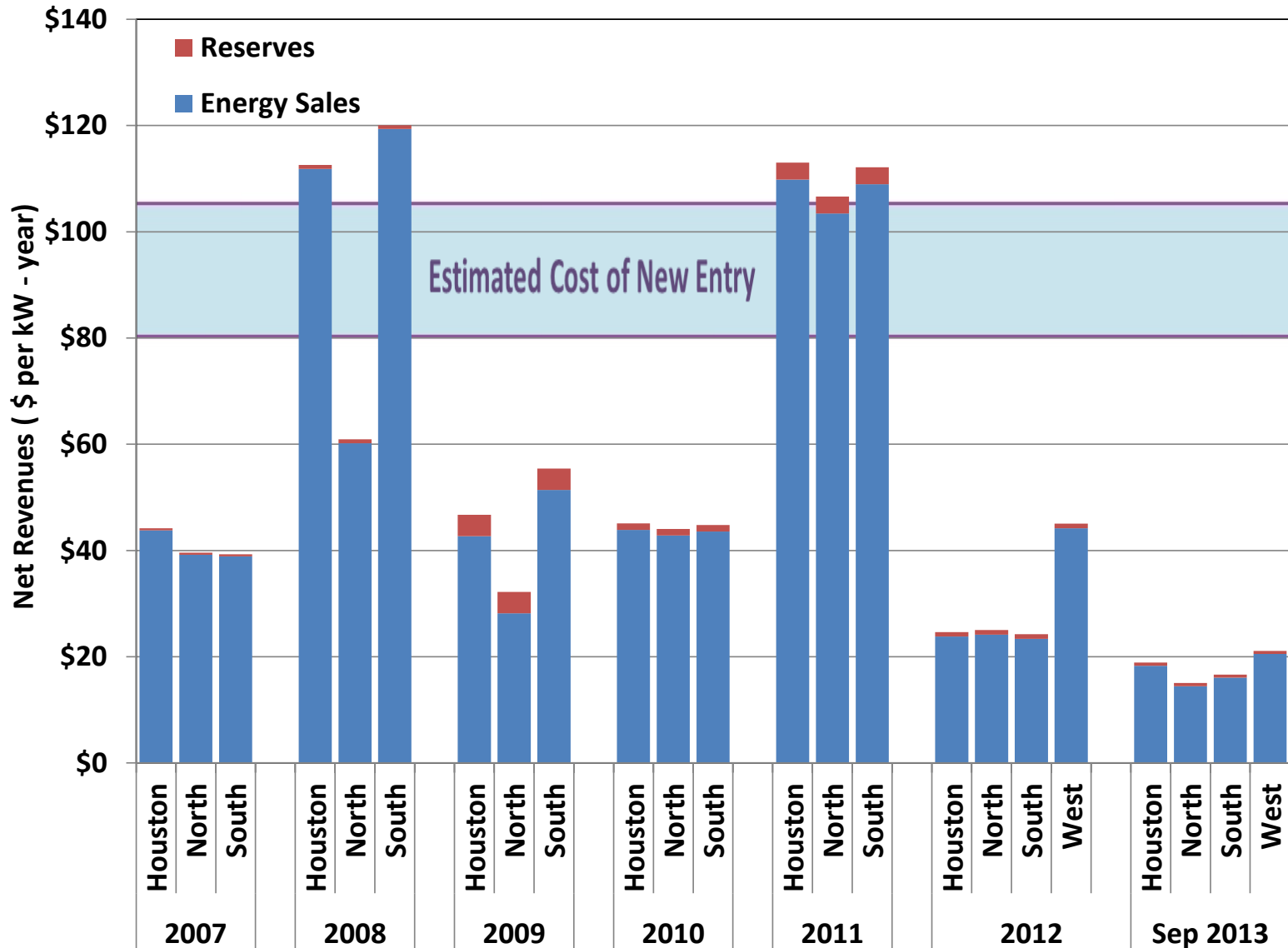
2012 State of the Market – Figure 62



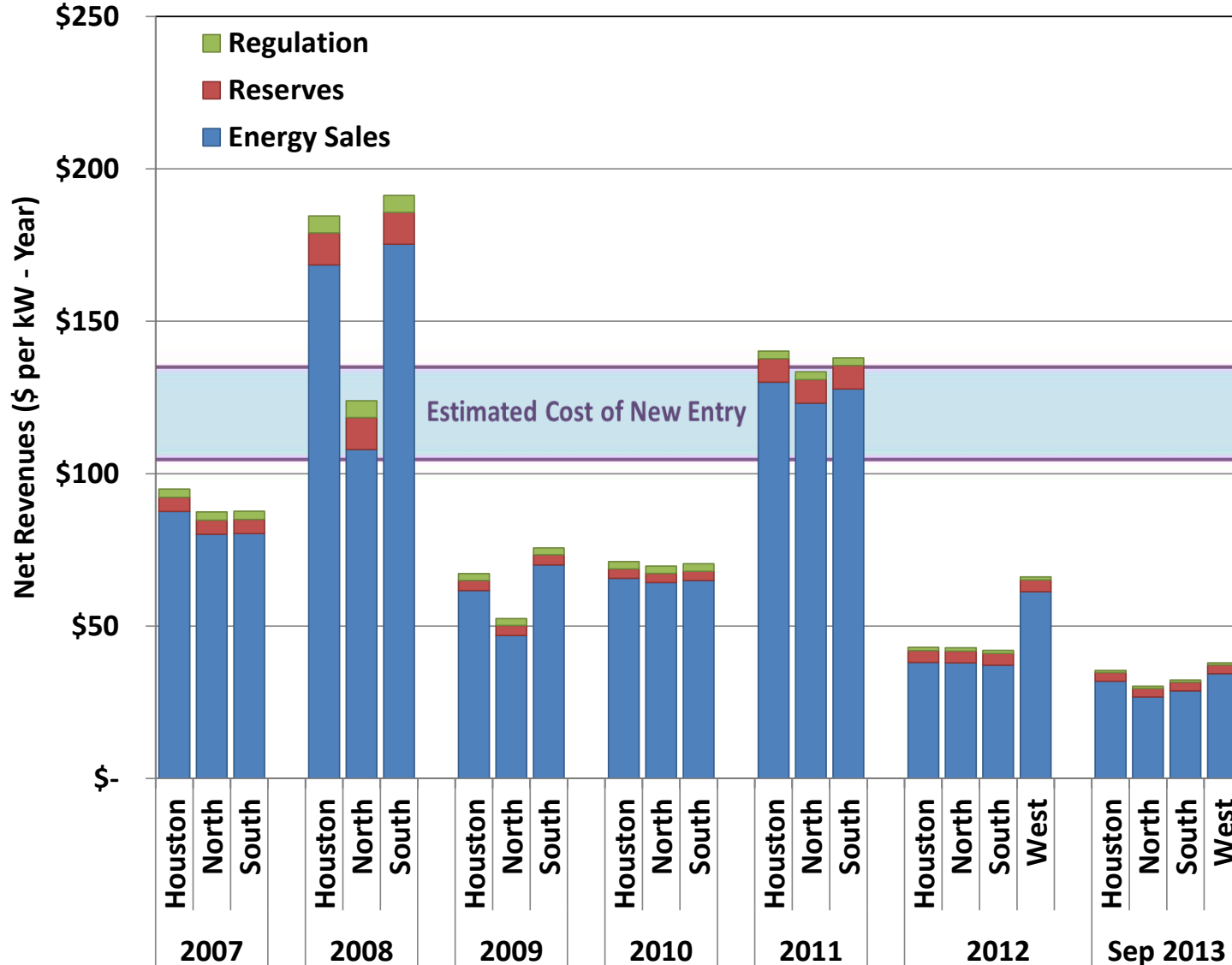
2013 Net Revenue through September



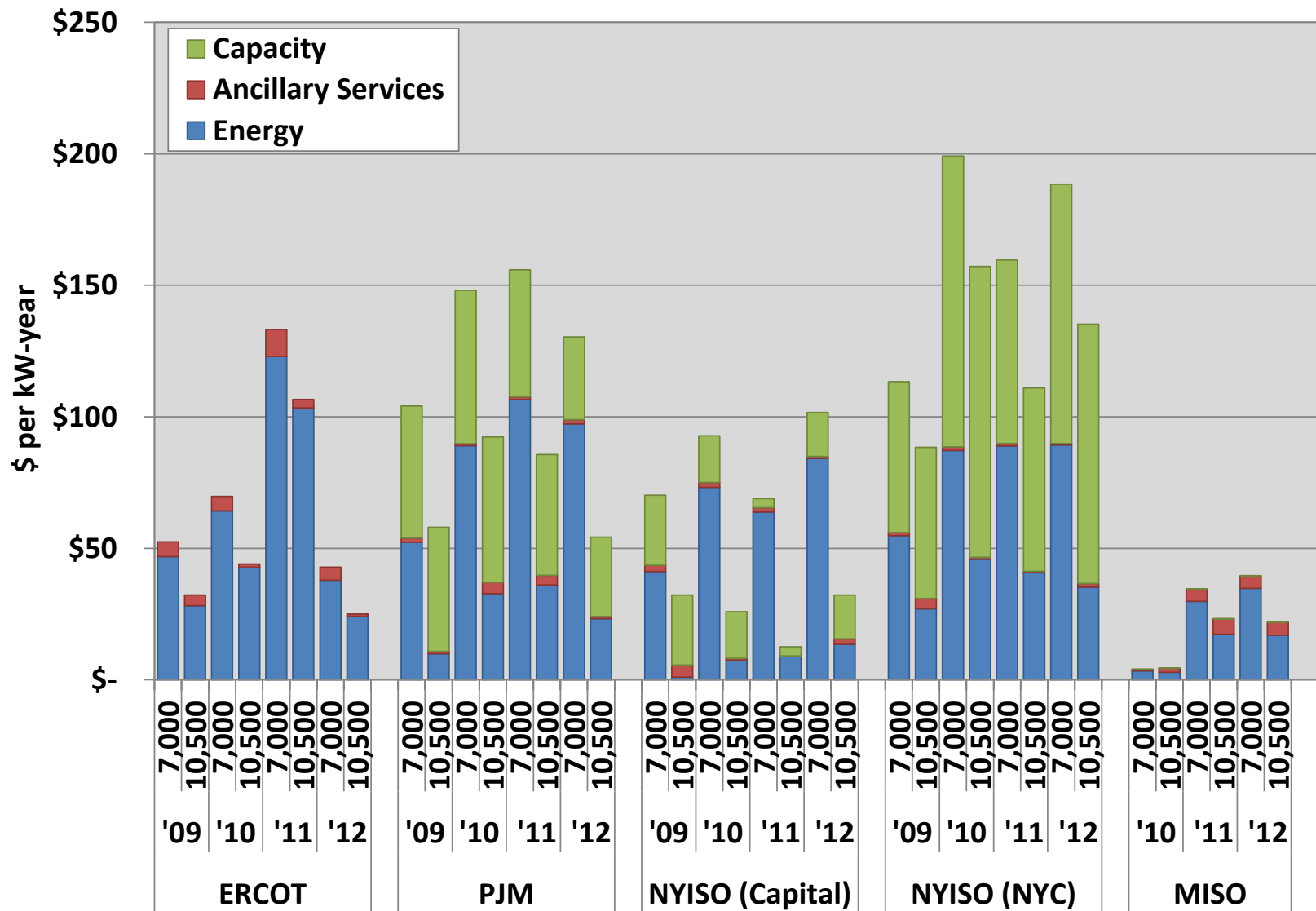
Historical Net Revenue for Gas Turbines



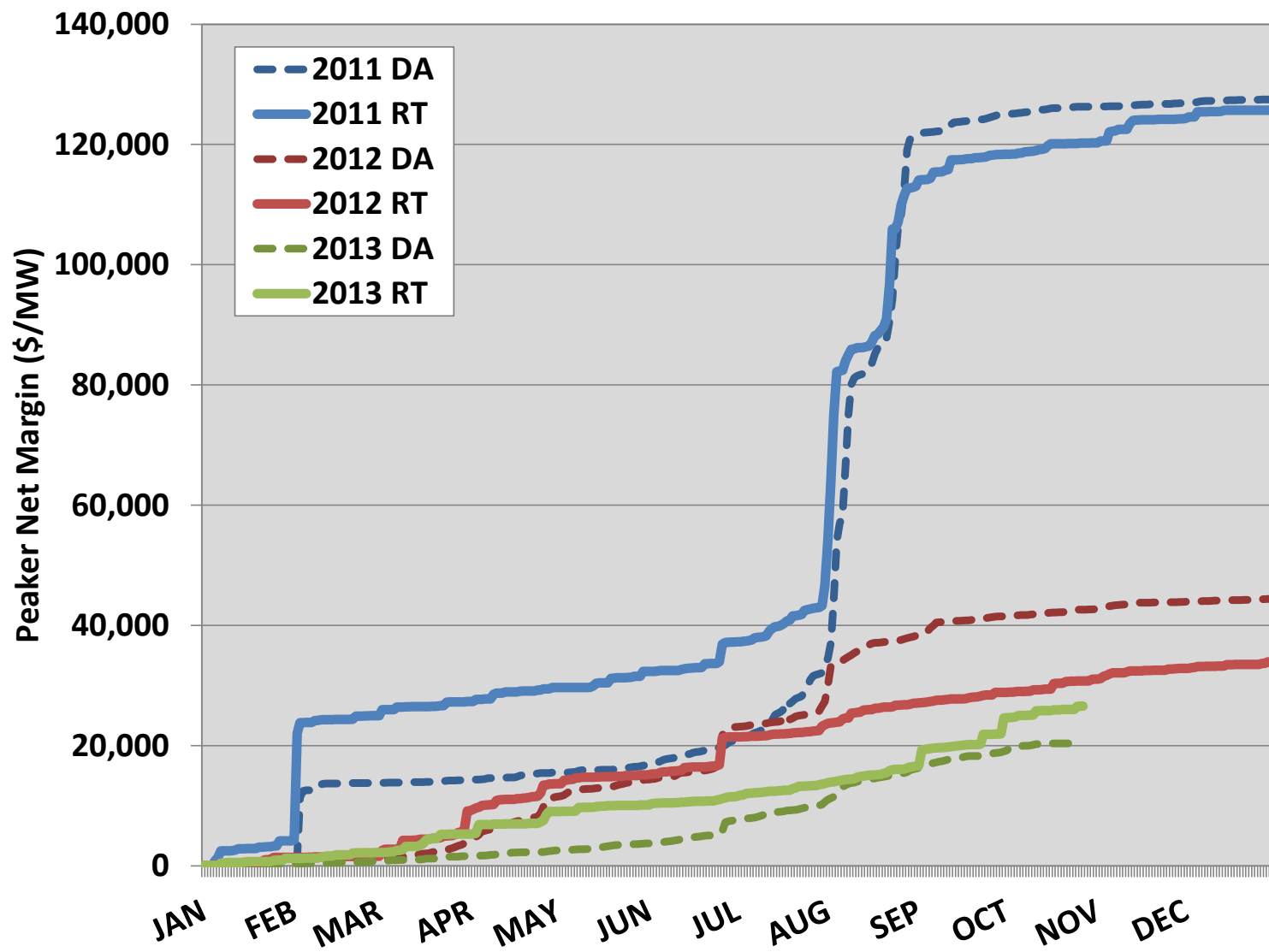
Historical Net Revenue for Combined Cycle units



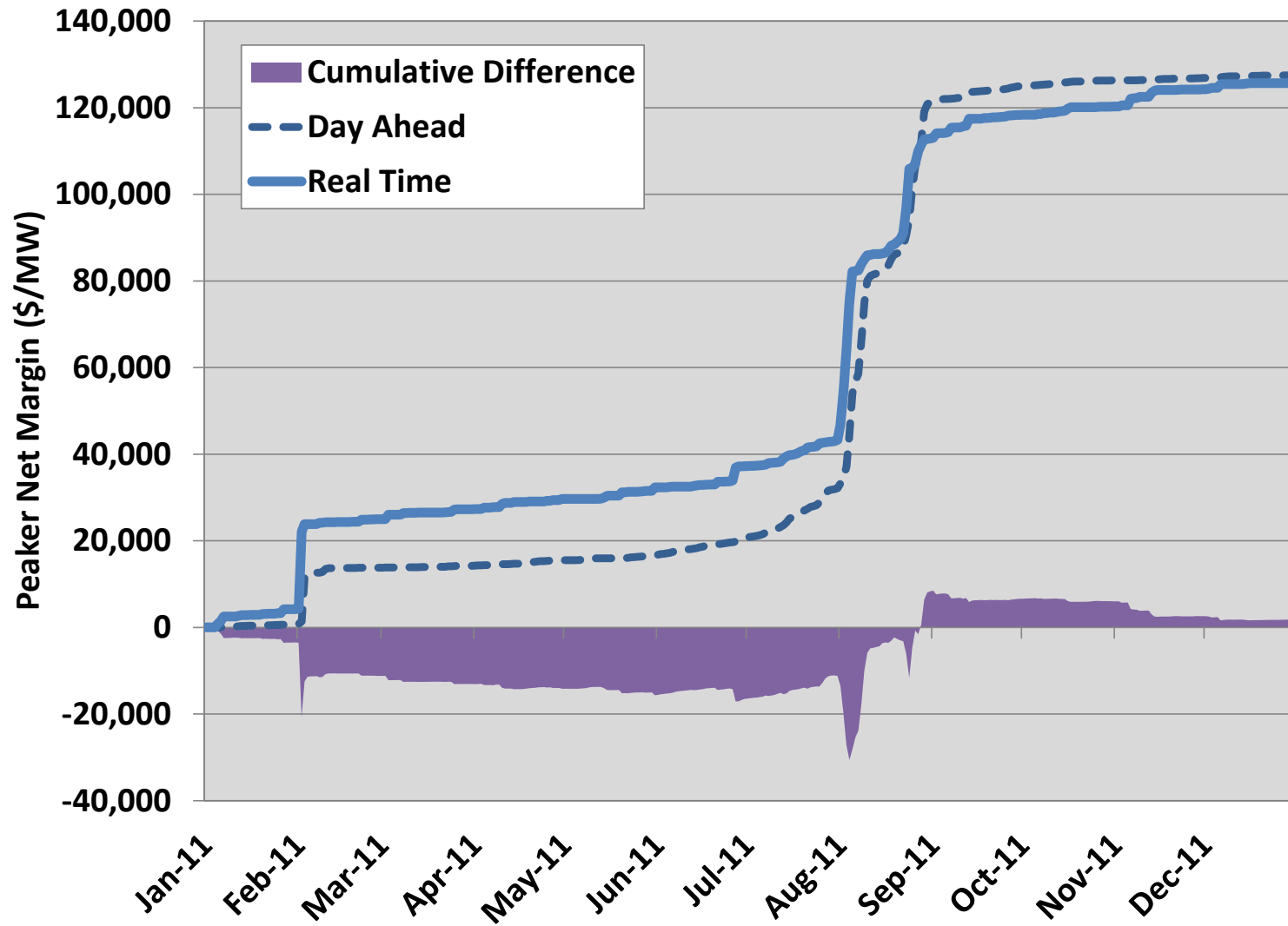
2012 State of the Market – Figure 65



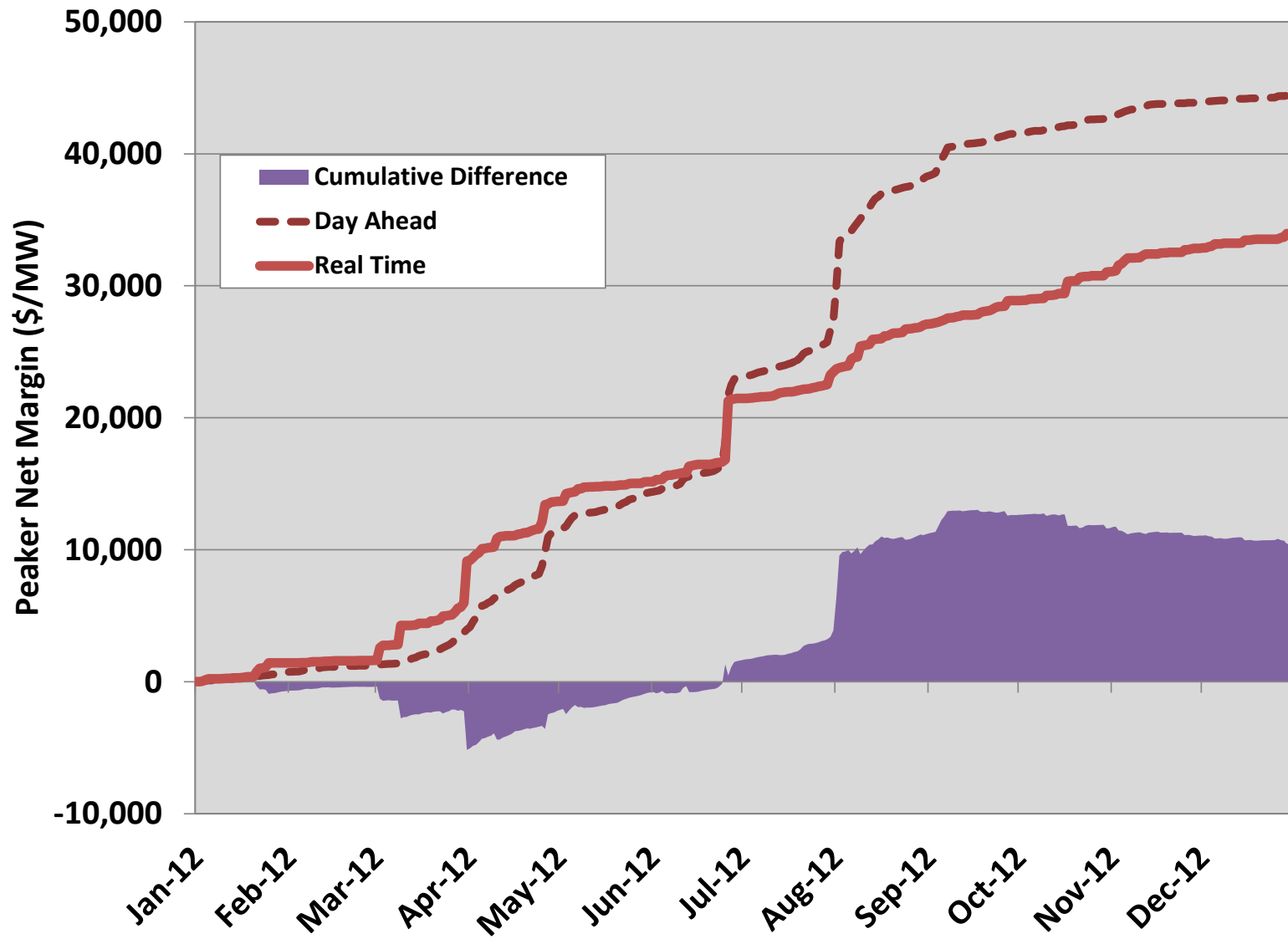
**Peaker Net Margin
based on
Day Ahead vs Real Time prices**



2011 Peaker Net Margin



2012 Peak Net Margin



2013 Peaker Net Margin

