The Finance & Audit (F&A) Committee is expected to consider
F&A Committee Agenda Item 5:
Recommendation regarding M2, Multiplier for URTA (Unbilled Real-Time Amount)
at its meeting on April 7, 2014.

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 April 8, 2014.

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

Item 5: Recommendation regarding M2, Multiplier for URTA (Unbilled Real-Time Amount)

Mark Ruane
Director, Market Credit

Finance & Audit Committee Meeting
April 7, 2014

ERCOT Public

Multiplier for URTA

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

M2 = 10 Multiplier for URTA. Provides for unbilled historical activity based on historical activity. Revisions to the multiplier will be recommended by TAC and approved by the ERCOT Board. ERCOT shall update the multiplier value on the first day of the month following ERCOT Board approval unless otherwise directed by the ERCOT Board. ERCOT shall provide notice to Market Participants prior to implementation of the revised values.

Multiplier for URTA

NPRR570, *Reduce RTM Settlement Timeline to Operating Day Plus Five*, reduced the timeline for the RTM Initial Statement from seven days to six days effective January 1, 2014, and will further reduce the timeline to five days effective May 1, 2014.

Stakeholder Recommendations for M2 Multiplier Reduction

Reflecting the RTM timeline reduction, at their January 22, 2014 joint meeting the CWG and MCWG recommended reducing the M2 multiplier from 10 to 9, effective on the first day of the month following ERCOT Board approval, but no sooner than May 1, 2014.

CWG/MCWG will review the operational impacts of the shortened RTM timeline prior to making a determination as to whether additional reductions in M2 are warranted.

WMS voted in favor of the same recommendation at its February 5, 2014 meeting (four opposing votes from the Cooperative Market Segment; Consumer Market Segment not present)

TAC voted in favor of the same recommendation at its February 27, 2014 meeting (one opposing vote from the Cooperative Market Segment)

F&A Committee Recommendation to Board **<Vote>**

ERCOT staff requests that the F&A Committee vote to recommend to the ERCOT Board, as recommended by TAC, that the M2 multiplier for URTA be reduced from 10 to 9, effective on the first day of the month following ERCOT Board approval, but no sooner than May 1, 2014.

The Board will consider this matter at its April 8, 2014 meeting in connection with the F&A Committee Report. For ease of reference, TAC's recommendation to the Board follows this presentation.

<VOTE>

Date: April 1, 2014
To: Board of Directors
From: Randa Stephenson, Techncial Advisory Committee (TAC) Chair
Subject: M2, Multiplier for URTA (Unbilled Real-Time Amount)

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: April 8, 2014
Item No.: 10.2

Issue:
Protocol Section 16.11.4.1, Determination of Total Potential Exposure for a Counter-Party, defines M2, Multiplier for URTA (Unbilled Real-Time Amount) which provides for unbilled historical activity based on historical activity. It also provides that the multiplier will be recommended by TAC and approved by the ERCOT Board. Approval is sought to change the M2 multiplier from 10 to 9, effective May 1, 2014.

Background/History:
NPRR 570, Reduce RTM Settlement Timeline to Operating Day Plus Five, reduced the timeline for the Real-Time Market (RTM) Initial Statement from seven days to six days effective January 1, 2014, and will further reduce the timeline to five days effective May 1, 2014, unless the ERCOT Board affirmatively votes to delay implementation to a later date or condition.

Reflecting on the RTM timeline reduction, on January 22, 2014, the Credit Work Group (CWG)/Market Credit Working Group (MCWG) recommended reducing the M2 multiplier from 10 to 9, effective on the first day of the month following ERCOT Board approval, but no sooner than May 1, 2014. CWG/MCWG will review the operational impacts of the shortened RTM settlement timeline before making a recommendation as to whether additional reductions in M2 are warranted.

On February 5, 2014, WMS voted to recommend approval of reducing the M2 multiplier from 10 to 9.

On February 27, 2014, TAC voted to recommended reducing the M2 multiplier from 10 to 9, effective on the first day of the month following ERCOT Board approval, but no sooner than May 1, 2014. There was one objection from the Cooperative Market Segment.

Key Factors Influencing Issue:
TAC and WMS reviewed the M2 multiplier reduction and voted to recommend that it be reduced from 10 to 9, effective May 1, 2014.

Conclusion/Recommendation:
As more specifically described above, TAC respectfully recommends that the ERCOT Board approve reducing the M2 multiplier from 10 to 9, effective May 1, 2014, to reflect the RTM timeline reduction as a result of NPRR570.

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

WHEREAS, Protocol Section 16.11.4.1, Determination of Total Potential Exposure for a Counter-Party, allows for the Multiplier for Unbilled Real Time Amount (URTA) to be revised by the ERCOT Board; and

WHEREAS, the ERCOT Board deems it desirable and in ERCOT's best interest to reduce the Multiplier for URTA from 10 to 9 days, effective May 1, 2014;

THEREFORE, BE IT RESOLVED, that ERCOT is hereby authorized and approved to revise the Multiplier for URTA, M2, from 10 to 9 days, effective May 1, 2014.

CORPORATE SECRETARY'S CERTIFICATE

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its April 8, 2014 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of April, 2014.

_____
Vickie G. Leady
Assistant Corporate Secretary