Discussion items regarding Load Distribution Factor Zeroing for PUN Busses

* Shell Energy asserts that the market design election to zero-out the Load Distribution Factors for PUN busses has resulted in undesirable cost allocation. Specifically, where Load Zone to PUN Point-to-Point instruments are sold ***and*** accrue congestion, may result in an uplift to QSEs by Load-ratio Share through ERCOT’s revenue neutrality allocation mechanisms.
* Shell Energy supports NPRR 831 as the solution, which introduces (and redacts from the public) an LDF for PUN busses. Shell Energy’s No-vote at TAC was dissenting 11th hour in-meeting edits to the NPRR description. Shell Energy still supports the content of the NPRR, and further suggests that expedient implementation is ideal. Shell Energy hopes that all market participants seeking a more expedient solution than NPRR 831 propose such alternatives in a timely manner to avoid further unintended consequences from proposals that have not had the benefit of thorough stakeholder review.
* Specifically, Shell Energy views NPRR 832 as a first-of-kind market rule change that impacts the value of previously awarded CRRs that were bid upon and awarded in good-faith. Bidders awarded paths, including those sinking to a PUN bus, assumed that the protocols in place would govern the settlement of these instruments. Said more simply, NPRR 832 breaks a contractual agreement, and sets a bad precedent of doing so.
	+ Market participants awarded CRRs anticipated that those CRRs enabled the CRR account holder the ability to carry that instrument into real-time by bidding on the same path in a PTP auction.
	+ NPRR 832 forbids market participants from bidding on PTPs sinking to a PUN bus, which harms those who hold a CRR for the same path.
	+ A change in market rules that retroactively impairs the value of previously awarded instruments undermines confidence in the ERCOT marketplace, and establishes a bad precedent of amending rules based upon market outcomes in arrears.
	+ It is discriminatory to not allow PUN to hedge their load with CRRs and then use the DAM PTP mechanism to adjust those hedges – especially after the CRRs could have already been purchased.
* Shell Energy could support the language in NPRR 832 if it were applicable only to those market participants who were not previously awarded CRRs sinking to a PUN bus. Doing so:
	+ Honors market design elections that have been in place since nodal go-live
	+ Affords additional uplift protection on a prospective basis
	+ Does not encourage retroactive market policy that can impair previously awarded instruments, and
	+ Maintains the integrity of the ERCOT protocols that were in place upon award of the instrument in question.
* Shell Energy asserts that procuring CRRs or PTPs sinking to a PUN bus is a legitimate strategy, which is predicated on bidding on paths that are anticipated to accrue congestion. Others have questioned the legitimacy of this activity. Shell Energy contends that the strategy is:
	+ Not risk free, as many awarded paths do not accrue congestion and expire worthless, or in the case of PTPs, **off-set uplift / RENA where a path cost exceeds its value.** ERCOT has committed to data identifying instances where PTP bids sinking to a PUN bus offset RENA, if any, for WMS consideration.
	+ Unchanged following the implementation of NPRR 831. Certain market participants have compared this issue to the “Dead-bus issue,” where, by a market design election, a market participant could gain a risk-free return. This comparison is flawed, because
		- Market policy amendments rendered the “dead-bus strategy” useless, and
		- Post implementation of NPRR 831, bidding on paths that are expected to accrue congestion will still be relevant at all busses, including those paths sinking to a PUN bus.
		- While risk-free arbitrage such as the “dead-bus issue” is certainly a problem that could demand an immediate fix, buying at a PUN node or sinking the PTP at a PUN is not risk-free.
	+ Not exclusive to the cost-allocation anomaly. In fact, Shell Energy suspects that many CRR trades were made without knowledge of the long-standing, less-than desirable cost allocation practice. Many long-term models utilized to identify paths anticipated to be binding 18 to 36 months in advance do not perfectly mirror the DAM or PTP clearing markets. Said another way, transmission models that support procurement of any path, including those paths sinking to a PUN bus, do not include the market design practice of zeroing out the LDF for a PUN Bus.
* Shell Energy represents a portfolio of retail load, Private-Use Networks, and Wholesale Energy and Congestion trades. We are extremely sensitive to the less than desirable cost-allocation identified by the IMM and Luminant Energy and support a speedy resolution. However, Shell Energy requests that all market participants allow time for due process and thorough review of supplemental solutions designed to expedite the ultimate solution proposed by NPRR 831. In the limited time since NPRR 832’s release (after business hours before PRS) to date, Shell Energy has numerous questions about the perceived remedies afforded by expedited implementation. Specifically, NPRR 832
	+ Should be considered in the context of both uplift and “downlift” (e.g. May 11th Pasadena Cogen received -$3,000 lmps) associated with PTP awards sinking to a PUN bus, and
	+ Appears to only ban uplift, but allows “downlift.” Shell does not necessarily support, but suggests QMWG should discuss, language that creates an equitable ban on PTPs sourcing from a PUN bus and sinking to a Load Zone that offset RENA charges based upon the same less-than desirable market design election.
* Shell Energy suggests that QMWG should consider alternatives to NPRR 832, including
	+ Use of the balancing account as a stop-gap for RENA accrued from PTP paths sinking to a PUN bus
	+ Review of contingency definitions associated with PUN busses. ERCOT has enforced G-1 contingencies at a PUN bus to serve PUN load, which would likely be managed within the PUN. In fact, recent public ERCOT reports have shown that certain PUN busses have implemented local RAPs. Shell Energy believes an expedient review of PUN contingencies could provide fast RENA relief without market rule changes that undermine confidence in the ERCOT market.