



Item 7: Market Continuity Guiding Principles

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ERCOT Public

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Market Continuity Guiding Principles

Background

- In May 2016, ERCOT sponsored a Market Continuity Workshop to frame discussion around gaps identified in the processes that would be used to restart ERCOT markets subsequent to a market outage event.
- At the workshop, ERCOT identified some specific issues requiring input and feedback from the market.
- Issues were assigned by TAC to different stakeholder groups for additional discussion and feedback (WMS, CWG/MCWG, QMWG, RCWG).

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Background

- At the December 1, 2016, TAC meeting, it was agreed that ERCOT would utilize the stakeholder feedback to begin to shape governing high-level principles around market continuity.
- The high-level principles were presented to TAC at its March 23, 2017, meeting. At the meeting, ERCOT agreed to incorporate the principles into a binding document for stakeholder review.
- An NPRR incorporating market continuity principles and some processes has been drafted and is undergoing internal review.

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Approach

- Specific actions, timelines and other factors in a market continuity situation would depend largely on specific circumstances and the nature of the market outage.
- Therefore, ERCOT believes that language addressing market continuity should be principle-based, laying out broad guidelines for restoration while recognizing that specific actions will vary under different scenarios.
- Principles are based on Market Participant and ERCOT staff feedback, are not predicated on a specific trigger event, and do not change existing Black Start procedures.

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Market Restart Definition

- The processes by which ERCOT market-related systems and activities are returned to normal operation following a triggering event that disables a significant portion of the necessary data and/or infrastructure for operations of markets for a period of time

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1. ERCOT will use existing crisis communication and business continuity procedures to foster orderly and timely communication of information with the Texas Legislature, the Public Utility Commission of Texas (PUCT), other Texas state government entities, local government, federal government, Market Participants and stakeholders, the media, and the general public.

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2. In a market continuity situation ERCOT shall act in accordance with the State of Texas Emergency Management Plan (Annex L).
3. Restart of the Real-Time Market (RTM) will be prioritized before other markets/activities.
4. Congestion Revenue Right (CRR) auctions and other functions will start only after RTM and Day-Ahead Market (DAM) are restored. CRR auctions will be rescheduled on a best efforts basis.
5. In cases where, due to the market outage, there are DAM awards with no corresponding RTM, or CRRs with no corresponding DAM outcomes, these results will be invalidated.

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6. DAM/CRR bids/offers may be restricted until such time as the system is deemed stable.
7. Limited settlements functionality is expected while restoring ERCOT markets. To the extent data is available, reconciliation settlements will be produced after ERCOT market operations are fully restored.
8. As necessary, Resources that support grid restoration will be made whole to their actual or proxy costs.
 - Actual based on approved startup and Mitigated Offer Curves
 - Proxy based on an approximation of actual startup and Mitigated Offer Curves

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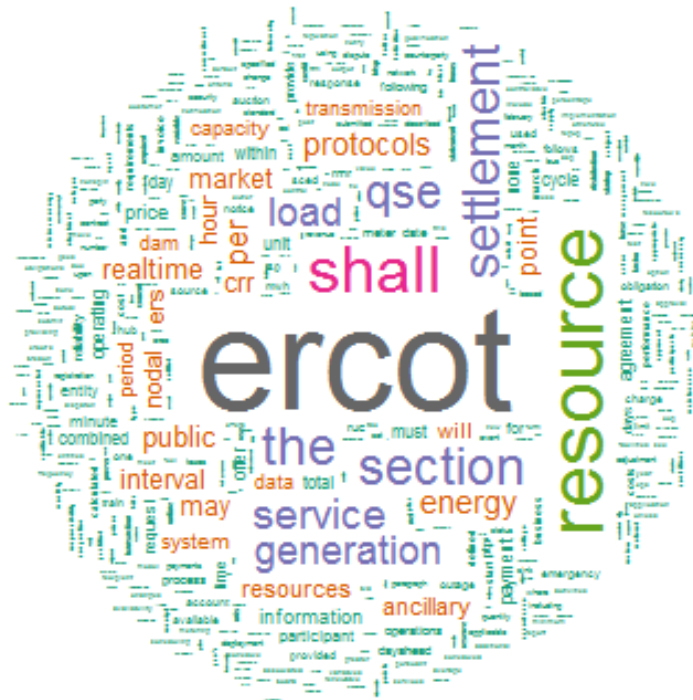
9. Make-Whole Payments to Resources will be made in as timely a manner as possible to support recovery of market functionality.
10. Market restart costs (such as Generation Resource compensation) will be uplifted on a Load Ratio Share basis after market recovery; potentially on an installment basis to avoid financial disruption.
11. Credit and collateral requirements will be reviewed with consideration to facilitate market restart. This could include relaxation of credit requirements and release of cash or other collateral to provide short-term Market Participant liquidity.

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12. Potential Mass Transitions arising in consequence of the event will be suspended.
13. Retail operations will follow the processes outlined in Retail Market Guide Section 7.10, Extended Unplanned Outage, and related supporting documentation.

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Questions

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Appendix – Representative Market Restart Processes

