Item 5: Proposed Updates to Board of Directors Material on DAM Net Flow vs. Real-Time Load

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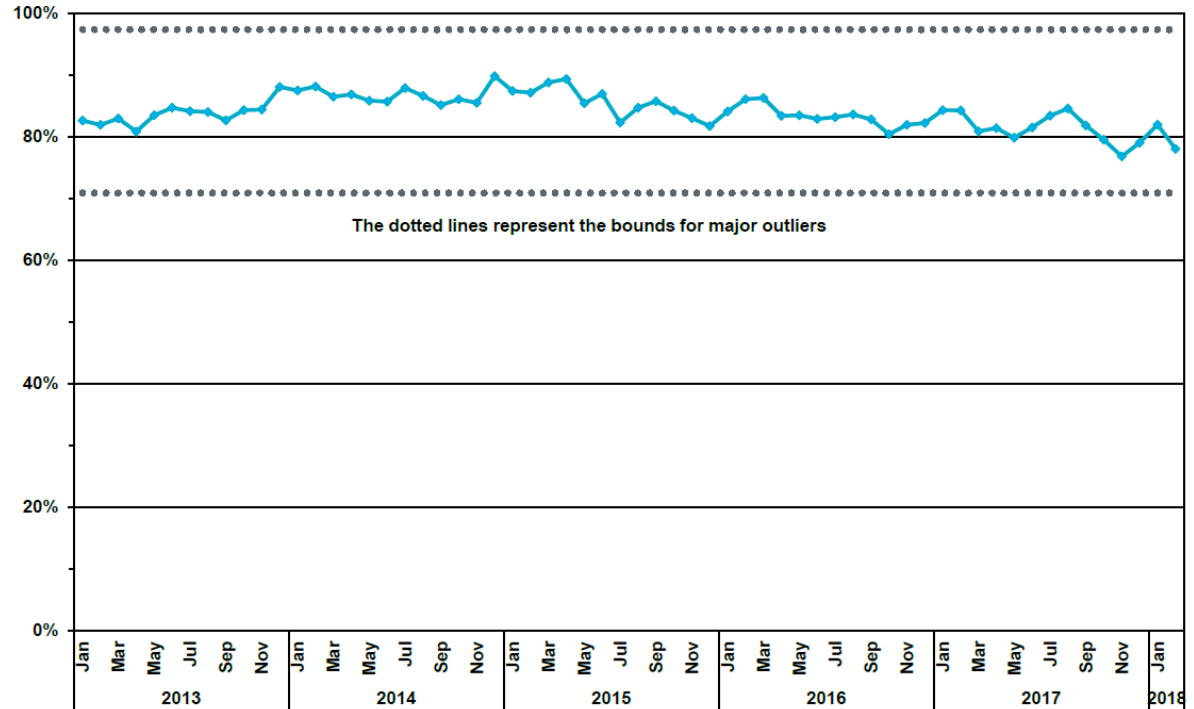Finance & Audit Committee Meeting

ERCOT Public
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Percentage of Real-Time Load Transacted in DAM for the Monthly Operational Overview

- Following discussion with the Committee in late 2017, the chart to the right has been presented as part of the Monthly Operational Overview

- We have continued to consider potential improvements and feedback on the information being provided

- We've identified one enhancement to the current approach

Percentage of Real-Time Load Transacted in the DAM – February 2018

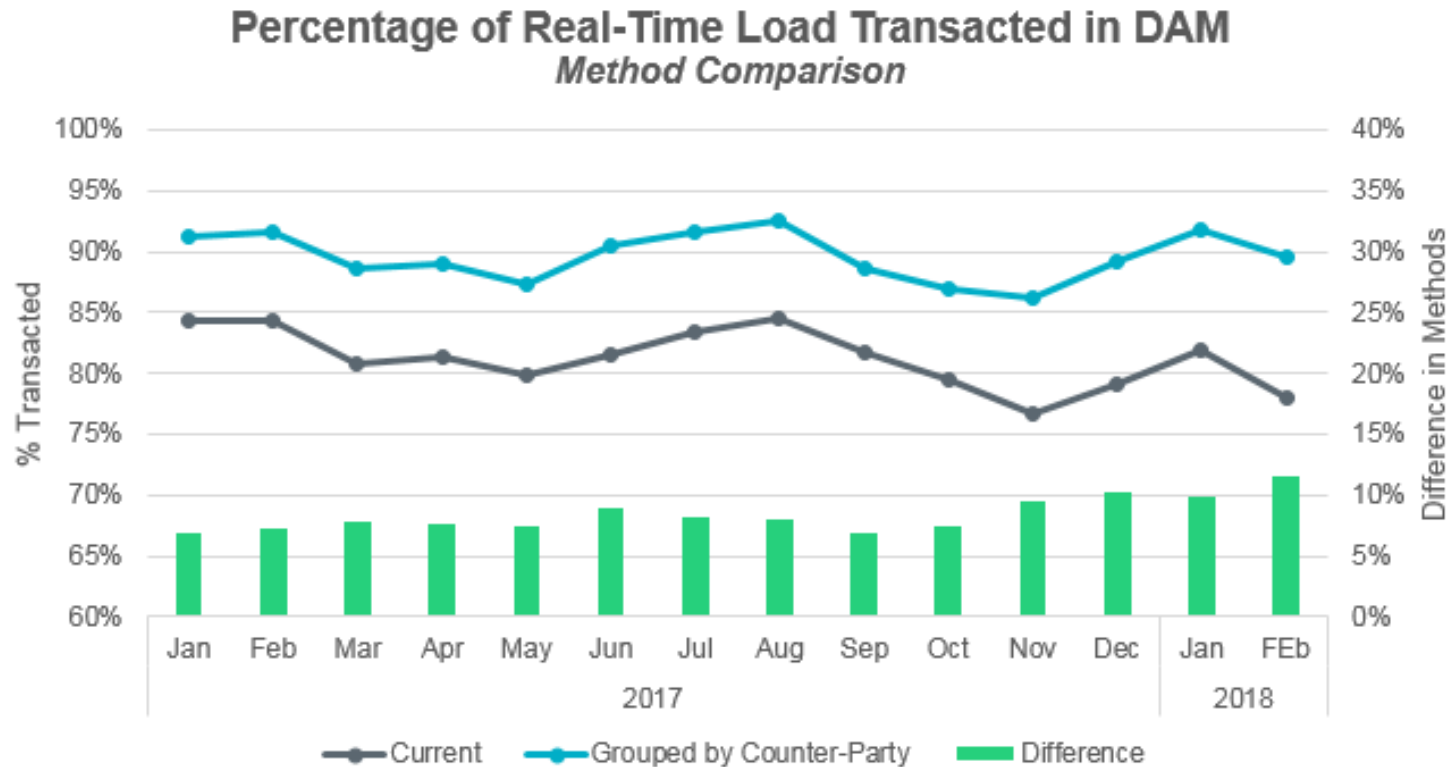The dotted lines represent the bounds for major outliers

Refresher on the Current Approach

- The recent changes were focused on distinguishing between those transactions that were more likely to specifically be for hedging for physical load positions and those that were likely to be speculative

- This was done by:
  - Only considering transactions in the DAM at a Load Zone
  - Only considering those transaction that were submitted by QSEs with real-time load

- The ratio of the DAM net flow of these transactions to real-time load is what is reflected in the chart

Enhancement to the Current Approach

- The enhancement that we've identified is to group and filter transactions at the Counter-Party level, as opposed to the QSE level

- The current approach fails to recognize that an entity could be hedging a physical load position under a sub-QSE that is not directly associated with the load

- This results in an undervaluation of the hedging activity and may lead to fluctuations in the results that are not truly driven by behavior changes

Difference in the Results

Percentage of Real-Time Load Transacted in DAM
Method Comparison

- The chart in the Monthly Operational Overview would continue to include the bounds for major outliers
  - They have been removed from this example to focus specifically on the monthly differences between the current method and a method with grouping by Counter-Party

Questions?