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| NPRR Number | xxx | NPRR Title | Change to CRR Repossession Process |
| Date Posted | | October xx, 2019 | |
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| Requested Resolution | | Normal | |
| Nodal Protocol Sections Requiring Revision | | 7.5.3.1, Data Transparency  7.5.5.3, Auction Process  16.11.6.1.4, Repossession of CRRs by ERCOT | |
| Related Documents Requiring Revision/Related Revision Requests | | None | |
| Revision Description | | This Nodal Protocol Revision Request (NPRR) provides ERCOT with options for handling the repossession of a Congestion Revenue Right (CRR) portfolio resulting from a Market Participant Payment Breach or other Default. The current process of offering the repossessed CRRs in a one-time auction, regardless of portfolio size or value, is limited and may not always be in the best interest of the market. This NPRR will establish more options for ERCOT to void or liquidate the CRRs to be repossessed, based on the characteristics of the portfolio. | |
| Reason for Revision | | Addresses current operational issues.  Meets Strategic goals (tied to the [ERCOT Strategic Plan](http://www.ercot.com/content/news/presentations/2013/ERCOT%20Strat%20Plan%20FINAL%20112213.pdf) or directed by the ERCOT Board).  Market efficiencies or enhancements  Administrative  Regulatory requirements  Other: (explain)  *(please select all that apply)* | |
| Business Case | | This NPRR will provide an improved structure for liquidating the CRRs repossessed as the result of a Payment Breach or Default. When the CRRs have a high value, the CRRs will be offered into CRR auctions, allowing CRR Account Holders to fairly compete for additional CRRs without having to take on the risk associated with purchasing an entire portfolio. Additionally, the capacity being offered into the auctions can allow for more CRRs to be awarded on other paths. The current approach of offering a portfolio of CRRs in a one-time auction will still be an option for low value portfolios, which can quickly finalize default amounts. | |

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| Market Segment | N/A |

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| Proposed Protocol Language Revision |

7.5.3.1 Data Transparency

(3) Following a one-time auction of CRRs pursuant to Section 16.11.6.1.4, Repossession of CRRs by ERCOT, ERCOT shall send a Market Notice with an attached file including the following information for all CRRs sold in the one-time auction:

(a) PTP Options – the source and sink, total MW, and dates and time-of-use block for which the CRR is effective;

(b) PTP Obligations – the source and sink, total MW, and dates and time-of-use block for which the CRR is effective; and

(c) The identity of the CRR Account Holder that was awarded CRRs in the one-time CRR Auction.

7.5.5.3 Auction Process

(4) ERCOT may review preliminary CRR Auction results to ensure that post auction collateral requirements are satisfied for all CRR Account Holders participating in the CRR Auction. If it is practicable to rerun the applicable CRR Auction, and the post CRR Auction collateral requirements for a Counter-Party are not satisfied, ERCOT:

(f) Following a one-time auction of CRRs pursuant to Section 16.11.6.1.4, Repossession of CRRs by ERCOT, the CRRs may be placed in the account of the winning CRR Account Holder immediately upon determination of the winning bidder if the post-auction collateral requirement is satisfied and if ERCOT determines that the transfer is required to ensure the correctness of the inventory for any subsequent CRR Auction.

16.11.6.1.4 Repossession of CRRs by ERCOT

(1) ERCOT, at its sole discretion, may repossess CRRs held by a Market Participant with a Payment Breach or other Default. ERCOT shall effect that repossession by sending a written notice to the Market Participant of the repossession and by removing the CRRs from the Market Participant’s CRR account. If any of the CRRs to be repossessed have the following characteristics, they will be voided and will not settle in DAM beyond the effective date of the repossession nor be offered into any future CRR auctions:

(a) PTP Options with Refund and PTP Obligations with Refund; and

(b) Awarded Pre-Assigned Congestion Revenue Rights (PCRRs) that have not yet been priced in a CRR auction associated with a Long-Term Auction Sequence and paid for by the breaching or defaulting Market Participant.

The Market Participant will neither be charged, nor entitled to credit, for the voided CRRs in the DAM Settlement. The remaining unvoided CRRs in the repossessed account will be handled based on the characteristics of the defaulted portfolio.

(a) For CRRs that settle in the same month as the effective date of the repossession, or for CRRs in the prompt month when the timing of the Payment Breach or Default does not allow for a one-time auction of repossessed CRRs prior to the start of the prompt month, ERCOT will transfer the repossessed CRRs to a placeholder CRR Account Holder to be managed by ERCOT. The transferred CRRs will settle in the DAM and may result in net payments or charges accruing for Operating Days throughout the month, as follows:

(i) If the repossessed CRR portfolio results in a net charge in DAM, there will be a short-pay for the Operating Day in accordance with Section 9.7.3, Enforcing the Financial Security of a Short-Paying Invoice Recipient.

(ii) If the repossessed CRR portfolio results in a net payment in DAM, the payment will be added to the collateral of the defaulting Market Participant.

(b) Based on the value of the repossessed CRR portfolio determined using the most recent auction clearing prices for the effective dates of the CRRs, if a repossessed portfolio is valued below $50,000, ERCOT shall offer the portfolio of all the remaining unvoided repossessed CRRs, with each repossessed CRR in its existing configuration, in a one-time auction to CRR Account Holders (other than the CRR Account Holder(s) in Payment Breach or other Default) for sale to the highest bidder for the entire portfolio. ERCOT shall offset net revenues from that sale against amounts owed to ERCOT by the Market Participant. If revenues from the sale exceed amounts owed to ERCOT, then the excess shall be eligible for return to the defaulting Market Participant in accordance with Protocol Section 16.11.7, Release of Market Participant’s Financial Security Requirement.

(i) Only positive bids will be allowed in the one-time auction.

(ii) ERCOT will have discretion to reject the results of the one-time auction if it is deemed that the bid(s) received do not reasonably represent the value of the repossessed portfolio of CRRs.

(iii) If ERCOT receives no positive bids for the portfolio of CRRs in the one-time auction, or if ERCOT rejects the results of the one-time auction, ERCOT shall liquidate the portfolio of CRRs in the same manner as in paragraph (c) below.

(c) Based on the value of the repossessed CRR portfolio determined using the most recent auction clearing prices for the effective dates of the CRRs, if a repossessed portfolio is valued at or above $50,000, or if the repossessed portfolio has a negative value, ERCOT will transfer the repossessed CRRs to a placeholder CRR Account Holder to be managed by ERCOT. ERCOT will offer the individual repossessed CRRs into the next available auction for the effective time period of the repossessed CRRs until all CRRs have been offered into an auction. Likewise, if a one-time auction of a repossessed portfolio does not result in a winning bidder being awarded the repossessed CRRs from a portfolio valued below $50,000, the CRRs will be handled in the same manner as those in a repossessed portfolio valued at or above $50,000 or with a negative value.

(i) Repossessed CRRs will be offered into auctions at -$0.01 for Options and -$250.00 for Obligations.

(ii) ERCOT will have discretion to reject the auction results if analysis shows that the results were severely distorted by the offered defaulted CRRs, as evidenced by….**(SEEKING INPUT FROM THE MARKET)** To correct the distorted auction results, ERCOT can take any of the following actions, as needed, and then rerun the auction:

(A) Offer fewer (or none) of the repossessed CRRs into the auction. CRRs that are not offered into the current auction can be offered into a future auction for the same time period (either another auction associated with a Long-Term Auction Sequence or a CRR Monthly Auction).

(B) Irrevocably void some or all of the CRRs for that auction period.

(iii) If a repossessed CRR is offered into an auction but is not awarded, the CRR will be irrevocably voided.

(iv) The payment or charge resulting from the sale of the CRRs into an auction will be treated as payments owed or charged the defaulting Counter-Party.

(A) The net cost or revenue from CRRs that are re-sold at auction will be added to or subtracted from the CRR Auction Revenue Distribution (CARD) until all CRRs in the repossessed portfolio have been settled and reconciled against amounts owing to ERCOT.

16.11.6.1.5 Declaration of Forfeit of CRRs

(1) ERCOT, at its sole discretion, may declare any of the CRR bids cleared and PCRRs allocated to the Market Participant forfeited due to Payment Breach if it does not receive full payment on the due date of the CRR Auction Invoice. ERCOT shall effect that forfeiture by sending a written notice to the Market Participant of the forfeiture and of not delivering the CRRs or PCRRs to the Market Participant’s CRR account. ERCOT will transfer the forfeited CRRs to a placeholder CRR Account Holder to be managed by ERCOT. PTP Options with Refund and PTP Obligations with Refund will be voided and will not settle in DAM nor be offered into any future CRR auctions.

If the forfeited CRRs were awarded in a CRR Monthly Auction, the transferred CRRs will settle in the DAM and ERCOT will offset net revenues from the DAM settlements against any amounts owed to ERCOT by the breaching Market Participant. Revenue from the DAM settlements shall be considered as CRR Auction revenue and distributed to QSEs based on Load Ratio Share as specified in Section 7.5.7, Method for Distributing CRR Auction Revenues.

If the forfeited CRRs were awarded in a CRR Auction associated with a Long-Term Auction Sequence, ERCOT will offer the individual forfeited CRRs into the next available auction for the effective time period of the forfeited CRRs until all CRRs have been offered into an auction. Revenue from the sale of the forfeited CRRs into a CRR Auction shall be considered as CRR Auction revenue and distributed to QSEs based on Load Ratio Share as specified in Section 7.5.7, Method for Distributing CRR Auction Revenues. If a forfeited CRR is offered into an auction but is not awarded, the CRR will be voided and the capacity will be dissolved.

(2) ERCOT may also, at its sole discretion, honor any of the offers from the breaching Market Participant that were cleared in the CRR Auction. ERCOT shall offset net revenues due to the Market Participant from CRRs offered and cleared against amounts owed to ERCOT by the Market Participant.