

NPRR 991 Day-Ahead Market Point-to-Point Obligation Bid Clearing Price Clarification

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NPRR 991 creates an exception to the policy that a PTP Obligation bid price is a “maximum price that the bidder is willing to pay (“not-to-exceed price”)

Overview of Current Protocols and NPRR 991

- **Today protocol section 4.4.6 PTP Obligation Bids**
 - (1) “A Point-to-Point (PTP) Obligation bid is a bid that specifies the source and sink, a range of hours, and a maximum price that the bidder is willing to pay (“Not-to-Exceed Price”)” – *emphasis added*
- **NPRR 991 revises section 4.5.1 DAM Clearing Process by adding the text that is underlined below**
 - (13) PTP Obligation bids shall not be awarded where the DAM clearing price for the PTP Obligation is greater than the PTP Obligation bid price plus \$0.01/MW per hour. If an administrative price floor is applied to the source or sink DAM Settlement Point Price in accordance with paragraph (1) of Section 4.6.1, Day-Ahead Settlement Point Prices, an awarded PTP Obligation bid may be settled in the DAM at a price that exceeds its PTP Obligation bid price



The underlined text above would permit ERCOT to charge a PTP Obligation more than its “not-to-exceed price”



Charging entities above their willingness to pay for market products is inconsistent with the efficient operation of markets

NPRR 991's Impact

- **Hedging products should not introduce the risk of being charged at a price inconsistent with the bid for that product**
 - Undermines the ability of market participants to prudently manage risk
 - Introduces an artificial risk that could be much larger than the actual market risk that an entity is seeking to hedge
- **PTP Obligation bid prices should be honored in the same way as the bids for other ERCOT administered financial products (e.g., DAM Energy Bids)**
- **Market participants should not bear this artificial risk, especially when solutions are available to address the issue**



DC Energy's recommendation is to follow the current Protocols and not charge market participants amounts higher than the bid prices for PTP Obligations

DC Energy Recommendation

- **Do not approve NPRR 991's language addition that would permit ERCOT to charge PTP Obligations more than its bid price**
 - Follow the current protocols by utilizing readily available ways to disallow PTP Obligation awards where the charge amount exceeds the bid price
 - Very modest uplift is a better outcome than the randomness of having a concentrated unexpected charge significantly above the bid price for just an unlucky set of market participants
- **Develop longer-term solutions to prevent the clearing of the PTP Obligation awards that are inconsistent with the bid price for non-block bids and offers**
 - This would ensure that uplift is not the result of honoring bid prices