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| NPRR Number | [1088](http://www.ercot.com/mktrules/issues/NPRR1088) | NPRR Title | Applying Forward Adjustment Factors to Forward Market Positions and Un-applying Forward Adjustment Factors to Prior Market Positions |
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| Date | | August 6, 2021 | |
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| Submitter’s Information | | | |
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| Cell Number | |  | |
| Market Segment | | Not applicable | |

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| Comments |

ERCOT submits these comments to Nodal Protocol Revision Request (NPRR) 1088 to provide additional clarity to Market Participants on the potential impact of this NPRR.

Forward Adjustment Factors (FAFs) were introduced in NPRR800, Revisions to Credit Exposure Calculations to Use Electricity Futures Market Prices. NPRR800 was intended to use forward-looking ERCOT market price indicators to proactively increase and decrease components of Total Potential Exposure (TPE) that reflect Real-Time Market (RTM) and Day-Ahead Market (DAM) exposure. This mechanism allows ERCOT to increase TPE in advance of some price increases, rather than retroactively after prices have increased. Prior to implementation of NPRR800 it was frequently observed that TPE increased after prices had increased and therefore did not reflect current market conditions in a timely manner.

Although NPRR1088 applies FAFs to DAM credit constraints, it removes the FAFs from TPE. TPE is intended to address the risk not only of settled positions, but also for potential market activity of a Counter-Party during the time period it would take to effectuate termination of a defaulting Counter-Party and, if necessary, complete a Mass Transition of its retail Customers.

ERCOT believes that removing the FAFs applicable to market activity prior to termination of a defaulting Counter-Party may increase the risk of default uplift to Market Participants, particularly in periods where higher prices are anticipated, and therefore does not support the NPRR as currently drafted.

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| Revised Cover Page Language |

None at this time.

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| Revised Proposed Protocol Language |

None at this time.