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| --- | --- | --- | --- |
| NPRR Number | XXX | NPRR Title | Revisions to EAL Formula |
| Date Posted | | TBD | |
|  | |  | |
| Requested Resolution | | Normal | |
| Nodal Protocol Sections Requiring Revision | | 16.11.4.1, Determination of Total Potential Exposure for a Counter-Party  16.11.4.3, Determination of Counter-Party Estimated Aggregate Liability | |
| Related Documents Requiring Revision/Related Revision Requests | | None | |
| Revision Description | | This Nodal Protocol Revision Request (NPRR) revises the Minimum Current Exposure (MCE) and Estimate Aggregate Liability (EAL) formulas, as endorsed by the Credit Finance Sub Group (CFSG) on December 19, 2024.  The proposed EAL formula revisions include:   * Applying the Real-Time Forward Adjustment Factor (RFAF) against the respective days’ Real-Time Liability Estimated (RTLE) and then taking the max over the lookback period; and * Introducing seasonal variability in the look-back period as it is applied for RTLE: 40 days from May 16 through Sep 15 (summer months) and 20 days from Sep 16 through May 15 (non-summer months). The look-back period does not change for traders.   The proposed MCE formula revision includes:   * Increasing the number of days from 1 day to 2 days for load entities for the purposes of calculating MCE. | |
| Reason for Revision | | Addresses current operational issues.  Meets Strategic goals (tied to the [ERCOT Strategic Plan](https://www.ercot.com/files/docs/2018/12/13/ERCOT_Strategic_Plan_2019-2023.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 improves the efficacy of the existing credit formulas to measure credit exposures in ERCOT market place. The current framework could lead to unreasonably high collateralization that is not related to the underlying risk, especially when a price spike is followed by another one. The current formulas also lead to high volatility relative to underlying credit exposure they are trying to measure. This NPRR resolves this over-collateralization and smoothens out excessive volatility in credit exposures, while also decreasing instances of under-collateralization. As a result, the subject NPRR resolves excessive over-collateralization and smoothens out unnecessary artificial volatility in credit exposures. At the same time, it will also reduce instances of under-collateralization. | |

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| Market Segment | Not applicable |

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| Proposed Protocol Language Revision |

16.11.4.1 Determination of Total Potential Exposure for a Counter-Party

(1) A Counter-Party’s TPE is the sum of its “Total Potential Exposure Any” (TPEA) and TPES:

(a) TPEA is the positive net exposure of the Counter-Party not included in TPES.

(b) TPES is the positive net exposure of the Counter-Party for Future Credit Exposure (FCE) and the Independent Amount (IA).

(2) For all Counter-Parties:

TPEA = Max [0, MCE, Max [0, ((1-TOA) \* EAL *q* + TOA \* EAL *t* +EAL *a*)]] + PUL

TPES = Max [0, FCE *a*] + IA

The above variables are defined as follows:

| Variable | Unit | Description |
| --- | --- | --- |
| EAL *q* | $ | *Estimated Aggregate Liability for all QSEs that represents Load or generation*—EAL for all QSEs represented by the Counter-Party if at least one QSE represented by the Counter-Party represents either Load or generation. |
| EAL *t* | $ | *Estimated Aggregate Liability for all QSEs* —EAL for all QSEs represented by the Counter-Party if none of the QSEs represented by the Counter-Party represent either Load or generation. |
| EAL *a* | $ | *Estimated Aggregate Liability for all CRR Account Holders*—EAL for all CRR Account Holders represented by the Counter-Party. |
| PUL | $ | *Potential Uplift*—Potential uplift to the Counter-Party, to the extent and in the proportion that the Counter-Party represents Entities to which an uplift of a short payment will be made pursuant to Section 9.19, Partial Payments by Invoice Recipients. It is calculated as the sum of: (a) Amounts expected to be uplifted within one year of the date of the calculation; and (b) the lesser of: (i) 25% of amounts expected to be uplifted beyond one year of the date of the calculation; or (ii) five years’ worth of uplift charges. |
| FCE *a* | $ | *Future Credit Exposure for all CRR Account Holders*—FCE for all CRR Account Holders represented by the Counter-Party. |
| MCE | $ | *Minimum Current Exposure*—For each Counter-Party, ERCOT shall determine a Minimum Current Exposure (MCE) as follows:  MCE = Max[RFAF \* MAF \* Max[{**[**L *i, od, p* \* T6 \* RTSPP *i, od, p*]/*n*}, {**[[[**L *i, od, p* \* *T2***-** G *i, od, p* \* (1-*NUCADJ*) \* *T3*] \* RTSPP *i, od, p*] + [RTQQNET *i, od, p*\* *T5*]]**/***n*},  {**[**G *i, od, p* \* *NUCADJ* \* *T1* \* RTSPP *i, od, p***]/**n},  {DARTNET*i, od, p* \* *T4*/*n*}],  MAF \* IMCE]  RTQQNET *i, od, p* = Max**[(**RTQQES *i, od, p, c -*RTQQEP *i, od, p, c*), *BTCF* \* (RTQQES *i, od, p, c* – RTQQEP *i, od, p, c*)] \* RTSPP *i, od, p*  DARTNET *i, od, p*  = DAM EOO Cleared *i, od, p* \* DART *i, od, p*+ DAM TPO Cleared *i, od, p* \* DART *i, od, p* + DAM PTP Cleared *i, od, p* \* DARTPTP *i, od, p*– DAM EOB Cleared *i, od, p* \* DART *i, od, p*  Where:  G *i, od, p* = *Total Metered Generation at all Resource Nodes* for the Counter-Party for interval *i* for Operating Day *od* at Settlement Point *p*  L *i, od, p* = *Total Adjusted Metered Load (AML) at all Load Zones* for the Counter-Party for interval *i* for Operating Day *od* at Settlement Point *p*  MAF = *Market Adjustment Factor*—Used to provide for the potential for overall price increases based on changes to ERCOT market rules or market conditions. This factor shall not be set below 100%. Revisions to this factor will be recommended by the Technical Advisory Committee (TAC) and the ERCOT Finance and Audit (F&A) Committee, and approved by the ERCOT Board. Such revisions shall be implemented on the 45th calendar day following ERCOT Board approval unless otherwise directed by the ERCOT Board.  *NUCADJ*= *Net Unit Contingent Adjustment*—To allow for situations where a generator may unintentionally or intentionally meet its requirement from the Real-Time Market (RTM)  RTQQNET *i, od, p* = *Net QSE-to-QSE Energy Trades* for the Counter-Party for interval *i* for Operating Day *od* at Settlement Point *p*  RTQQES *i, od, p, c* = *QSE Energy Trades* for which the Counter-Party is the seller for interval *i* for Operating Day *od* at Settlement Point *p* with Counter-Party *c*  RTQQEP *i, od, p, c* = *QSE Energy Trades* for which the Counter-Party is the buyer for interval *i* for Operating Day *od* at Settlement Point *p* with Counter-Party *c*  *BTCF* = *Bilateral Trades Credit Factor*  RTSPP *i, od, p* = *Real-Time Settlement Point Price* for interval *i* for Operating Day *od* at Settlement Point *p*  DARTNET *i, od, p* = *Net DAM activities* for the Counter-Party for interval *i* for Operating Day *od* at Settlement Point *p*  DART *i, od, p* = *Day-Ahead - Real-Time Spread* for interval *i* for Operating Day *od* at Settlement Point *p*  DAM EOB Cleared*i, od, p* = *DAM Energy Only Bids Cleared* for interval *i* for Operating Day *od* at Settlement Point *p*  DAM EOO Cleared *i, od, p* = *DAM Energy Only Offers Cleared* for interval *i* for Operating Day *od* at Settlement Point *p*  DAM TPO Cleared *i, od, p* = *DAM Three-Part Offers Cleared* for interval *i* for Operating Day *od* at Settlement Point *p*  DAM PTP Cleared *i, od, p* = *DAM Point-to-Point (PTP) Obligations Cleared* for interval *i* for Operating Day *od* at Settlement Point *p*  DARTPTP *i, od, p* = *Day-Ahead - Real-Time Spread* for value of PTP Obligation for interval *i* for Operating Day *od* at Settlement Point *p*  *c* = Bilateral Counter-Party  *cif = Cap Interval Factor* - Represents the historic largest percentage of System-Wide Offer Cap (SWCAP) intervals during a calendar day  *e* = Most recent *n* Operating Days for which RTM Initial Settlement Statements are available  *i* = Settlement Interval  *n* = Days used for averaging  *nm =* Notional Multiplier  *od* = Operating Day  *p* = A Settlement Point |
| |  |  |  |  | | --- | --- | --- | --- | | [NPRR1013 and NPRR1188: Replace applicable portions of the variable “MCE” above with the following upon system implementation of the Real-Time Co-Optimization (RTC) project for NPRR1013; or upon system implementation for NPRR1188:]   |  |  |  | | --- | --- | --- | | MCE | $ | *Minimum Current Exposure*—For each Counter-Party, ERCOT shall determine a Minimum Current Exposure (MCE) as follows:  MCE = Max[RFAF \* MAF \* Max[{**[**L *i, od, p* \* T6 \* RTSPP *i, od, p*]/*n*}, {**[[[**L *i, od, p* \* *T2***-** G *i, od, p* \* (1-*NUCADJ*) \* *T3*] \* RTSPP *i, od, p*] + [RTQQNET *i, od, p*\* *T5*]]**/***n*},  {**[**G *i, od, p* \* *NUCADJ* \* *T1* \* RTSPP *i, od, p***]/**n},  {{DARTNET*i, od, p* \* *T4*/*n*} {DARTASONET *i, od, c \* T4/n*}}],  MAF \* IMCE]  RTQQNET *i, od, p* = Max**[(**RTQQES *i, od, p, c -*RTQQEP *i, od, p, c*), *BTCF* \* (RTQQES *i, od, p, c* – RTQQEP *i, od, p, c*)] \* RTSPP *i, od, p*  DARTNET *i, od, p*  = DAM EOO Cleared *i, od, p* \* DART *i, od, p*+ DAM TPO Cleared *i, od, p* \* DART *i, od, p* + DAM PTP Cleared *i, od, p* \* DARTPTP *i, od, p*– DAM EOB Cleared *i, od, p* \* DART *i, od, p*  DARTASONET *i, od* = DAM ASOO Cleared *i, od* \* DARTMCPC *i, od*  Where:  G *i, od, p* = *Total Net Metered Generation at all Resource Nodes,* *including Wholesale Storage Load (WSL) and Controllable Load Resources (CLRs) that are not Aggregate Load Resources (ALRs),* for the Counter-Party for interval *i* for Operating Day *od* at Settlement Point *p*  L *i, od, p* = *Total Adjusted Metered Load (AML) at all Load Zones,* *excluding CLR Load of CLRs that are not ALRs,* for the Counter-Party for interval *i* for Operating Day *od* at Settlement Point *p*  MAF = *Market Adjustment Factor*—Used to provide for the potential for overall price increases based on changes to ERCOT market rules or market conditions. This factor shall not be set below 100%. Revisions to this factor will be recommended by the Technical Advisory Committee (TAC) and the ERCOT Finance and Audit (F&A) Committee, and approved by the ERCOT Board. Such revisions shall be implemented on the 45th calendar day following ERCOT Board approval unless otherwise directed by the ERCOT Board.  *NUCADJ*= *Net Unit Contingent Adjustment*—To allow for situations where a generator may unintentionally or intentionally meet its requirement from the Real-Time Market (RTM)  RTQQNET *i, od, p* = *Net QSE-to-QSE Energy Trades* for the Counter-Party for interval *i* for Operating Day *od* at Settlement Point *p*  RTQQES *i, od, p, c* = *QSE Energy Trades* for which the Counter-Party is the seller for interval *i* for Operating Day *od* at Settlement Point *p* with Counter-Party *c*  RTQQEP *i, od, p, c* = *QSE Energy Trades* for which the Counter-Party is the buyer for interval *i* for Operating Day *od* at Settlement Point *p* with Counter-Party *c*  DARTASONET *i, od* = *Net DAM Ancillary Service Only Activities* for interval *i* for Operating Day *od*  DAM ASOO Cleared *i, od* = DAM Ancillary Service Only Offers Cleared in DAM for interval *i* for Operating Day *od*  DARTMCPC *i, od* = Day-Ahead – Real-Time MCPC Spread for interval *i* for Operating Day *od*  *BTCF* = *Bilateral Trades Credit Factor*  RTSPP *i, od, p* = *Real-Time Settlement Point Price* for interval *i* for Operating Day *od* at Settlement Point *p*  DARTNET *i, od, p* = *Net DAM Activities* for the Counter-Party for interval *i* for Operating Day *od* at Settlement Point *p*  DART *i, od, p* = *Day-Ahead - Real-Time Spread* for interval *i* for Operating Day *od* at Settlement Point *p*  DAM EOB Cleared*i, od, p* = *DAM Energy Only Bids and Energy Bid Curves Cleared* for interval *i* for Operating Day *od* at Settlement Point *p*  DAM EOO Cleared *i, od, p* = *DAM Energy Only Offers Cleared* for interval *i* for Operating Day *od* at Settlement Point *p*  DAM TPO Cleared *i, od, p* = *DAM Three-Part Offers Cleared* for interval *i* for Operating Day *od* at Settlement Point *p*  DAM PTP Cleared *i, od, p* = *DAM Point-to-Point (PTP) Obligations Cleared* for interval *i* for Operating Day *od* at Settlement Point *p*  DARTPTP *i, od, p* = *Day-Ahead - Real-Time Spread* for value of PTP Obligation for interval *i* for Operating Day *od* at Settlement Point *p*  *c* = Bilateral Counter-Party  *cif = Cap Interval Factor* - Represents the historic largest percentage of System-Wide Offer Cap (SWCAP) intervals during a calendar day  *e* = Most recent *n* Operating Days for which RTM Initial Settlement Statements are available  *i* = Settlement Interval  *n* = Days used for averaging  *nm =* Notional Multiplier  *od* = Operating Day  *p* = A Settlement Point | | | | |
| IMCE | $ | *Initial Minimum Current Exposure*  IMCE = TOA \* (SWCAP \* *nm* \* *cif%*) |
| TOA | None | *Trade-Only Activity*—Counter-Party that does not represent either a Load or a generation QSE. Set to “0” if Counter-Party represents a QSE that has an association with a Load Serving Entity (LSE) or a Resource Entity, or if Counter-Party does not represent any QSE;otherwise set to 1. |
| *q* | None | QSEs represented by Counter-Party. |
| *a* | None | CRR Account Holders represented by Counter-Party. |
| IA | $ | *Independent Amount*—The amount required to be posted as defined in Section 16.16.1, Counter-Party Criteria. |
| RFAF | None | *Real-Time Forward Adjustment Factor*—The adjustment factor for RTM-related forward exposure as defined in Section 16.11.4.3.3, Forward Adjustment Factors. |

The above parameters are defined as follows:

| Parameter | Unit | Current Value\* |
| --- | --- | --- |
| *nm* | None | 50 |
| *cif* | Percentage | 9% |
| *NUCADJ* | Percentage | Minimum value of 20%. |
| *T1* | Days | 2 |
| *T2* | Days | 5 |
| *T3* | Days | 5 |
| *T4* | Days | 1 |
| *T5* | Days | For a Counter-Party that represents Load this value is equal to 5, otherwise this value is equal to 2. |
| *T6* | Days | 2 |
| *BTCF* | Percentage | 80% |
| *n* | Days | 14 |
| \* The current value for the parameters referenced in this table above will be recommended by TAC the ERCOT Board and approved by the Public Utility Commission of Texas (PUCT). ERCOT shall update parameter values on the first day of the month following PUCT approval unless otherwise directed. ERCOT shall provide a Market Notice prior to implementation of a revised parameter value. | | |

16.11.4.3 Determination of Counter-Party Estimated Aggregate Liability

(1) After a Counter-Party commences activity in ERCOT markets, ERCOT shall monitor and calculate the Counter-Party’s EAL based on the formulas below.

**EAL *q* = Max [IEL during the first 40-day period only beginning on the date that the Counter-Party commences activity in ERCOT markets, Max [ Max (RFAF \* RTLE) during the previous *lrqrtle* days, RTLF] + DFAF \* DALE + Max [RTLCNS, Max {URTA during the previous *lrqurta* days}] + OUT *q* + ILE*q***

**EAL *t* = Max [Max (RFAF \* RTLE) during the previous *lrt* days, RTLF] + DFAF \* DALE + Max [RTLCNS, Max {URTA during the previous *lrt* days}] + OUT *t***

**EAL *a* = OUT *a***

ERCOT may adjust the number of days used in determining the highest RTLE and/or URTA, and/or to exclude specific Operating Days to calculate RTLE, URTA, OUT, or DALE.

The above variables are defined as follows:

| Variable | Unit | Description |
| --- | --- | --- |
| EAL*q* | $ | *Estimated Aggregate Liability for all the QSEs* represented by a Counter-Party if at least one QSE represented by the Counter-Party represents either Load or generation. |
| EAL *t* | $ | *Estimated Aggregate Liability for all the QSEs* represented by a Counter-Party if none of the QSEs represented by the Counter-Party represent either Load or generation. |
| EAL*a* | $ | *Estimated Aggregate Liability for all the CRR Account Holders* represented by the Counter-Party. |
| IEL | $ | *Initial Estimated Liability for all the QSEs* represented by the Counter-Party if at least one QSE represented by the Counter-Party represents either Load or generation as defined in paragraphs (1), (2), (3) and (4) of Section 16.11.4.2, Determination of Counter-Party Initial Estimated Liability. |
| *q* |  | QSEs represented by Counter-Party. |
| *t* |  | QSEs represented by a Counter-Party if none of the QSEs represented by the Counter-Party represent either Load or generation. |
| *a* |  | CRR Account Holders represented by Counter-Party. |
| RTLE | $ | *Real-Time Liability Extrapolated*—M1 multiplied by the sum of the net amount, with zero substituted for missing values, due to or from ERCOT by the Counter-Party in the 14 most recent Operating Days for which RTM Initial Statements are produced for Counter-Parties according to the ERCOT Settlement Calendar divided by 14. |
| URTA | $ | *Unbilled Real-Time Amount*—M2 multiplied by the sum of the net amount, with zero substituted for missing values, due to or from ERCOT by the Counter-Party in the 14 most recent Operating Days for which RTM Initial Statements are produced for Counter-Parties according to the ERCOT Settlement Calendar divided by 14. |
| RTL | $ | *Real-Time Liability*—The estimated or settled amounts due to or from ERCOT due to activities in the RTM for an Operating Day, as defined in Section 16.11.4.3.2, Real-Time Liability Estimate. |
| RTLCNS | $ | *Real-Time Liability Completed and Not Settled*—For each Operating Day that is completed but not settled, ERCOT shall calculate RTL adjusted up by *rtlcu%* if there is a net amount due to ERCOT or adjusted down by *rtlcd%* if there is a net amount due to the QSE.  RTLCNS = Sum of Max RTL(*rtlcu%* \* RTL, *rtlcd%* \* RTL) for all completed and not settled Operating Days  Where:  *rtlcu* = Real-Time Liability Markup  *rtlcd* = Real-Time Liability Markdown |
| RTLF | $ | *Real-Time Liability Forward*—rtlfp% of the sum of estimated RTL from the most recent seven Operating Days.  RTLF = *rtlf%* of the Sum of Max RTL(*rtlcu%* \* RTL*, rtlcd%* \* RTL) for the most recent seven Operating Days  Where:  *rtlfp =* Real-Time Liability Forward |
| OUT *q* | $ | *Outstanding Unpaid Transactions*—Outstanding unpaid transactions for all QSEs represented by the Counter-Party, which include (a) outstanding Invoices to the Counter-Party; (b) estimated unbilled items to the Counter-Party, to the extent not adequately accommodated in the RTLE calculation (including resettlements and other known liabilities); and (c) estimated CRR Auction revenue available for distribution for Operating Days in the previous two months, to the extent not invoiced to the Counter-Party. Invoices will not be considered outstanding for purposes of this calculation the Business Day after that Invoice payment is received.  OUT *q* = OIA *q* + UDAA *q* + UFA *q* + UTA *q* + CARD  Where:  OIA *q* = *Outstanding Invoice Amounts for all the QSEs represented by the Counter-Party* – Sum of any outstanding Real-Time and Day-Ahead unpaid invoices issued to the Counter-Party, including but not limited to CRR Auction Revenue Distribution (CARD) Invoices, CRR Balancing Account Invoices, Default Uplift Invoices, Securitization Uplift Charge Reallocation Invoices, and other miscellaneous Invoices. Also included are the amounts or portions of Invoices due to the Counter-Party that have been short-paid as a result of a default or non-payment of Invoices due to ERCOT by another Counter-Party.  UDAA *q* = *Unbilled Day-Ahead Amounts for all the QSEs represented by the Counter-Party* – Sum of DAL for all the QSEs represented by the Counter-Party for all Operating Days for which a DAM Statement is not generated.  UFA *q* = *Unbilled Final Amounts for all the QSEs represented by the Counter-Party* – Unbilled final extrapolated days (*ufd)* multiplied by the sum of the net amount due to or from ERCOT for all QSEs represented by the Counter-Party for Operating Days for which RTM Final Statements were generated in the 21 most recent calendar days, divided by the number of Operating Days for which RTM Final Settlement Statements were generated for the Counter-Party in the 21 most recent calendar days.  UTA *q* = *Unbilled True-Up Amounts for all the QSEs represented by the Counter-Party* – Unbilled true-up extrapolated days (*utd)* multiplied by the sum of the net amount due to or from ERCOT by the Counter-Party for all the QSEs represented by the Counter-Party for Operating Days for which RTM True-Up Statements were generated in the 21 most recent calendar days, divided by the number of Operating Days for which RTM True-Up Settlement Statements were generated for the Counter-Party in the 21 most recent calendar days.  CARD = *CRR Auction Revenue Distribution for all the QSEs represented by the Counter-Party* – Estimate of the Counter-Party’s unpaid allocation of CRR Auction revenues that have already been collected but have not been paid out to all QSEs represented by the Counter-Party. CRR Auction revenues that have been earned but not billed are distributed based on the following Load Ratio Shares (LRSs): (a) Zonal LRS applied to revenues from CRRs cleared and have source and sink points located within a 2003 ERCOT Congestion Management Zone (CMZ), and (b) ERCOT-wide LRS applied to all other CRR Auction revenues. The LRS will be based on the latest completed operating month for which LRS are available. |
| DAL | $ | *Day-Ahead Liability*—The estimated or settled amounts due to or from ERCOT due to activities in the DAM for an Operating Day, as defined in Section 16.11.4.3.1, Day-Ahead Liability Estimate. |
| OUT *t* | $ | *Outstanding Unpaid Transactions*—Outstanding unpaid transactions for all QSEs represented by the Counter-Party if none of the QSEs represented by the Counter-Party represent either Load or generation, which include (a) outstanding Invoices to the Counter-Party; (b) estimated unbilled items to the Counter-Party, to the extent not adequately accommodated in the RTLE calculation (including resettlements and other known liabilities).  OUT *t* = OIA *t* + UDAA *t* + UFA *t* + UTA *t*  Where:  OIA *t* = *Outstanding Invoice Amounts for all the QSEs represented by the Counter-Party if none of the QSEs represented by the Counter-Party represent either Load or generation* – Sum of any outstanding Real-Time and Day-Ahead unpaid Invoices issued to the Counter-Party, including but not limited to CRR Balancing Account Invoices, Default Uplift Invoices and other miscellaneous Invoices. Also included are the amounts or portions of invoices due to the Counter-Party that have been short-paid as a result of a Default or non-payment of invoices due to ERCOT by another Counter-Party.  UDAA *t* = *Unbilled Day-Ahead Amounts for all the QSEs represented by the Counter-Party if none of the QSEs represented by the Counter-Party represent either Load or generation* – Sum of DAL for all the QSEs represented by the Counter-Party for all Operating Days for which DAM Statement is not generated.  UFA *t* = *Unbilled Final Amounts for all the QSEs represented by the Counter-Party if none of the QSEs represented by the Counter-Party represent either Load or generation* – *ufd* multiplied by the sum of the net amount due to or from ERCOT for all QSEs represented by the Counter-Party for Operating Days for which RTM Final Statements were generated in the 21 most recent calendar days, divided by the number of Operating Days for which RTM Final Settlement Statements were generated for the Counter-Party in the 21 most recent calendar days.  UTA *t* = *Unbilled True-Up Amounts for all the QSEs represented by the Counter-Party if none of the QSEs represented by the Counter-Party represent either Load or generation* – *utd* multiplied by the sum of the net amount due to or from ERCOT by the Counter-Party for all the QSEs represented by the Counter-Party for Operating Days for which RTM True-Up Statements were generated in the 21 most recent calendar days, divided by the number of Operating Days for which RTM True-Up Settlement Statements were generated for the Counter-Party in the 21 most recent calendar days. |
| OUT *a* | $ | *Outstanding Unpaid Transactions for all CRR Account Holders represented by the Counter-Party*—Outstanding, unpaid transactions of all the CRR Account Holders represented by the Counter-Party, which include outstanding Invoices to the Counter-Party. Invoices will not be considered outstanding for purposes of this calculation the Business Day after that Invoice payment is received.  OUT *a* = OIA *a* + UDAA *a*  Where:  OIA *a* = *Outstanding Invoice Amounts for all the CRR Account Holders represented by the Counter-Party* – Sum of any outstanding Real-Time and Day-Ahead unpaid Invoices issued to the Counter-Party including but not limited to CRR Balancing Account Invoices, Default Uplift Invoices and other miscellaneous Invoices. Also included are the amounts or portions of Invoices due to the Counter-Party that have been short-paid as a result of a default or non-payment of Invoices due to ERCOT by another Counter-Party.  UDAA *a* = *Unbilled Day-Ahead Amounts for all the CRR Account Holders represented by the Counter-Party* – Sum of DAL of all the CRR Account Holders represented by the Counter-Party for all Operating Days for which DAM Statement is not generated. |
| ILE***q*** | $ | *Incremental Load Exposure*—In the event of a Mass Transition necessitated by the default of a Counter-Party representing a QSE associated with an LSE, ERCOT may adjust the TPE of the Counter-Parties representing QSEs that are qualified as Providers of Last Resort (POLRs) to reflect the estimated Incremental Load Exposure (ILE) resulting from the Mass Transition. The adjustment will be based on the POLR’s *pro rata* share of the defaulting Counter-Party’s RTLE, based on the total estimated Electric Service Identifiers (ESI IDs) to be transitioned. ERCOT will communicate any such adjustment to the Authorized Representative of each Counter-Party who is a POLR within 24 hours of the initiation of a Mass Transition. The ILE adjustment will remain in place no more than the number of days necessary to effect a Mass Transition for the defaulting Counter-Party, after which time the incremental exposure will be fully reflected in the Counter-Party’s unadjusted TPE. |
| DALE | $ | *Average Daily Day-Ahead Liability Extrapolated*—M1 multiplied by the sum of the net amount, with zero substituted for missing values, due to or from ERCOT by the Counter-Party in the seven most recent Operating Days for which DAM Settlement Statements are produced for Counter-Parties according to the ERCOT Settlement Calendar divided by seven. |
| M1 |  | M1 = M1a + M1b—Multiplier for DALE and RTLE. Provides for forward risk during a Counter-Party termination upon default based upon the sum of the time period required for any termination upon default (M1a) and the time period required for a Mass Transition only (M1b). The M1a component is applicable to all Counter-Parties. The M1b component is applicable only to Counter-Parties representing any QSE associated with a LSE.  M1a = Time period required for any termination from an Operating Day.  M1a is comprised of a fixed value (*M1d*), representing days from issuance of a collateral call to termination, and a calendar day-specific variable value. For any Operating Day, M1a is equal to the total number of forward calendar days encompassed by starting on the Operating Day, including *M1d* Bank Business Days forward, and adding any ERCOT holidays that are also Bank Business Days.  M1b = Weighted average transition days = Min(B, (2 + Max(1, (u+1)/2))\*(1-DF)), rounded up to whole days  Where:  u = (ESIn/r) Unscaled number of days to transition.  B = Benchmark value. Used to establish a maximum M1 value.  ESIn = Number of ESI IDs associated with an individual Counter-Party. This value will be updated no less often than annually by ERCOT and updated values communicated to individual Counter-Parties. Counter-Parties entering the market will provide an estimated number of ESI IDs for use during their first six months of market activity. Subsequent to this time, the value for that Counter-Party shall be updated by ERCOT concurrently with other Counter-Parties with QSEs representing an LSE.  r = Assumed ESI ID daily transition rate.  DF = Discount Factor applied to M1b if the Counter-Party meets other creditworthiness standards that may be developed and approved by TAC and the ERCOT Board. |
| M2 |  | Multiplier for URTA. |
| RFAF | None | *Real-Time Forward Adjustment Factor*—The adjustment factor for RTM-related forward exposure as defined in Section 16.11.4.3.3, Forward Adjustment Factors. |
| DFAF | None | *Day-Ahead Forward Adjustment Factor*—The adjustment factor for DAM-related forward exposure as defined in Section 16.11.4.3.3. |
| *lrqrtle* | Days | Look-back period for RTM to find the maximum of RTLE for all QSEs represented by the Counter-Party if any of the QSEs represented by the Counter-Party represent either Load or generation. |
| *lrqurta* | Days | Look-back period for RTM to find the maximum of URTA for all QSEs represented by the Counter-Party if any of the QSEs represented by the Counter-Party represent either Load or generation. |
| *lrt* | Days | Look-back period for RTM to find the maximum of RTLE or URTA for all QSEs represented by the Counter-Party if none of the QSEs represented by the Counter-Party represent either Load or generation. |

The above parameters are defined as follows:

| Parameter | Unit | Current Value\* |
| --- | --- | --- |
| *rtlcu* | Percentage | 110% |
| *rtlcd* | Percentage | 90% |
| *rtlfp* | Percentage | 150% |
| *ufd* | Days | 55 |
| *utd* | Days | 180 |
| *M1d* | Days | 8 |
| *B* | Days | 8 |
| *R* | none | 100,000 per day |
| *DF* | Percentage | 0 |
| *M2* | Days | 9 |
| *lrqrtle* | Days | 40 from May 16 through Sep 15 (summer months)  20 from Sep 16 through May 15 (non-summer months) |
| *lrqurta* | Days | 40 |
| *lrt* | Days | 20 |
| \* The current value for the parameters referenced in this table above will be recommended by TAC and the ERCOT Board and approved by the Public Utility Commission of Texas (PUCT). ERCOT shall update parameter values on the first day of the month following PUCT approval unless otherwise directed. ERCOT shall provide a Market Notice prior to implementation of a revised parameter value. | | |