

NOTICE DATE: October 25, 2024

NOTICE TYPE: M-A102524-01 Operations

SHORT DESCRIPTION: Resolution of ADR Proceedings between ERCOT and Geodesic 1 LLC (ADR No. 2024-GEO-01)

INTENDED AUDIENCE: All Market Participants

DAYS AFFECTED: October 23, 2023

LONG DESCRIPTION: Upon ERCOT's determination of the disposition of an Alternative Dispute Resolution (ADR) proceeding, ERCOT Protocol Section 20.9 requires ERCOT to issue a Market Notice providing a description of the relevant facts, a list of the parties involved in the dispute, and ERCOT's disposition of the proceeding and reasoning in support thereof.

Parties: ERCOT and Geodesic 1 LLC (Geodesic)

Relevant Facts:

Geodesic is a Qualified Scheduling Entity (QSE) that submitted bids to buy Point-to-Point (PTP) Obligation bids in the Day-Ahead Market (DAM) for the Operating Day at issue. On October 22, 2023, ERCOT experienced technical issues that affected ERCOT's ability to receive market submissions, including those for the DAM. These technical issues caused ERCOT systems to reject DAM submissions for Operating Day October 23, 2023.

ERCOT extended the DAM closing deadline beyond the usual time of 10:00 to resolve the software issues. By 12:44, ERCOT had implemented an initial software fix to address the software issues that were affecting ERCOT's ability to accept market submissions. After implementing these software fixes, ERCOT continued to extend the DAM closing deadline so that Market Participants could resubmit offers. The final DAM closing deadline was set to 15:30. ERCOT closed the DAM at 15:30, ran the DAM at 16:25, and published at 17:35.

However, despite earlier software fixes, lingering inaccuracies regarding Market Participant credit data were still present between 12:44 and 15:30. ERCOT did not extend the DAM closing deadline further to resolve the credit data issues. During this period, Geodesic alleges that it submitted seven Point-to-Point (PTP) Obligation bids that were rejected due to insufficient credit, causing validation of the bids to fail.

Geodesic's seven PTP Obligation bids were wrongfully rejected due to credit data inaccuracies caused by ERCOT's software issues. The credit inaccuracies prevented Geodesic from having its submitted bids accurately validated and it is likely the bids would otherwise have been awarded, if not for the continuing presence of those credit issues.

Geodesic filed a Settlement Dispute to obtain compensation relating to bids submitted on October 22, 2023, for Operating Day October 23, 2023. ERCOT denied this Settlement dispute.

Geodesic filed an Alternative Dispute Resolution (ADR) request on February 1, 2024, to challenge the denial of its Settlement Dispute.

ERCOT's Disposition/Reasoning:

ERCOT has determined that the appropriate disposition of this ADR proceeding is to grant Geodesic's claim for relief because it was entitled to relief under ERCOT Protocols Section 4.1.2(4). The following ERCOT Protocols Sections are relevant to Geodesic's request for relief.

ERCOT Protocols Section 4.5.1(1) provides:

At 1000 in the Day-Ahead, ERCOT shall start the Day-Ahead Market (DAM) clearing process. If the processing of DAM bids and offers after 0900 is significantly delayed or impacted by a failure of ERCOT software or systems that directly impacts the DAM, ERCOT shall post a Notice as soon as practicable on the ERCOT website, in accordance with paragraph (1) of Section 4.1.2, Day-Ahead Process and Timing Deviations, extending the start time of the execution of the DAM clearing process by an amount of time at least as long as the duration of the processing delay plus ten minutes. In no event shall the extension exceed more than one hour from when the processing delay is resolved.

ERCOT Protocols Section 4.1.2(4) provides:

Should ERCOT omit a procedure or take manual action pursuant to paragraph (2) above, and a Market Participant is directly impacted by such ERCOT action or omission, the Market Participant may seek relief as specifically provided for under Section 9.14.10, Settlement for Market Participants Impacted by Omitted Procedures or Manual Actions to Resolve the DAM. A Market Participant will only be entitled relief upon ERCOT's determination that ERCOT's action or omission pursuant to paragraph (2) above was the sole cause of the Market Participant's injury, and the monetary value of the direct impact can be accurately determined by ERCOT. Such relief is not available in the case that ERCOT aborts all or part of the Day-Ahead process. A Market Participant may only seek relief due to ERCOT's omission of a procedure or manual action under paragraph (2) above in the following circumstances:

- (a) ERCOT removed the Market Participant's bid(s) or offer(s);
- (b) ERCOT failed to award the Market Participant's bid(s) or offer(s); or
- (c) ERCOT de-energized the Market Participant's Resource(s) in the base case.¹

¹ ERCOT Protocols Section 9.14.10 describes how a Market Participant may file a Settlement and billing dispute for compensation under ERCOT Protocols Section 4.1.2(4).

ERCOT Protocols Section 4.1.2(4) applies only where ERCOT has taken a manual action or omitted a procedure under ERCOT Protocols Section 4.1.2(2). ERCOT Protocols Section 4.1.2(2) provides:

Subject to the principles set forth in paragraph (3) below, ERCOT may omit any procedure or take any manual action necessary to ensure, to the greatest extent practicable, that the DAM clearing process completes by 1900 in the Day-Ahead. Should ERCOT omit any such procedure or take any such manual action, ERCOT will issue a Market Notice no later than 1700 Central Prevailing Time (CPT) on the next Business Day that details the omitted procedures or manual actions taken by ERCOT and ERCOT's explanation as to why they were necessary. If the manual action taken by ERCOT requires ERCOT to omit bids or offers submitted by a particular QSE, ERCOT will provide notification to that QSE prior to taking the manual action, so long as providing such notice will not delay completion of the DAM beyond 1900 in the Day-Ahead.

ERCOT determined, for Operating Day October 23, 2023, that it was necessary to close the DAM by 15:30 on October 22, 2023, to complete the DAM clearing process by 19:00.

As previously discussed, remaining inaccuracies from earlier software issues on October 22, 2023, impacted the processing of DAM bids and offers. ERCOT did not extend the start time of the execution of the DAM clearing process by an amount of time at least as long as the duration of the processing delay plus ten minutes, as required by ERCOT Protocols Section 4.5.1. Thus, ERCOT omitted a procedure otherwise required in the ERCOT Protocols in order to close the DAM.

Geodesic was directly impacted by ERCOT's decision to close the DAM before the software issue was resolved, as required to grant relief under Protocols Section 4.1.2(4).

ERCOT has determined it is very likely that Geodesic's bids would have been awarded, if not for the software issue, when compared to other bids awarded at the relevant intervals. Based on this determination, it is reasonable to conclude that the ERCOT software failures (and ERCOT's closing of the DAM before the software failures were resolved) constitute the "sole cause" of ERCOT's failure to award Geodesic's bids, as is also required for relief to be granted under Section 4.1.2(4).

Additionally, based on the bids submitted and published prices, ERCOT can accurately determine the monetary value of the impact, as required under ERCOT Protocols Section 4.1.2(4) for granting relief.²

² ERCOT can reasonably determine the likely impact in this instance, since few Market Participants were affected, and a relatively small number of bids are at issue. ERCOT might not be able to make such a reasonable determination in an instance where *numerous* Market Participants are affected and/or *numerous* bids are at issue. Numerous variables can affect the awards made in the DAM. If many Market Participants submitted a Section 4.1.2(4) request

Based on ERCOT's actions, taken as a whole, ERCOT finds that Geodesic is entitled to relief under ERCOT Protocols Section 4.1.2(4) and that ERCOT violated its obligations under the ERCOT Protocols, Section 9.14.10 by failing to grant the settlement dispute when Geodesic was entitled to such relief pursuant to ERCOT Protocols Section 4.1.2(4).³ As a result, the claim for relief asserted by Geodesic is granted.

ERCOT has determined that the amount due to Geodesic in connection with this ADR will be \$94,894.01. ERCOT will issue miscellaneous Invoices per ERCOT Protocols Section 9.14.10 (1)(g) for the impacted Operating Day. A subsequent market notice will be posted upon the issuance of the miscellaneous Invoices.

CONTACT: If you have any questions, please contact your ERCOT Account Manager. You may also call the general ERCOT Client Services phone number at (512) 248-3900 or contact ERCOT Client Services via email at ClientServices@ercot.com.

for relief for the same Operating Day, ERCOT might not be able to accurately predict which Market Participants' bids would likely have been awarded. Additionally, if a large number of bids or offers were the subject of a Section 4.1.2(4) request for relief for the same Operating Day, ERCOT might not be able to accurately predict which bids would have likely been awarded. In a scenario where such predictions cannot be accurately made, ERCOT might not be able to determine, among other things, whether ERCOT's actions or omissions taken to close the DAM "directly impacted" an individual Market Participant or whether such actions or omissions were the "sole cause" of a Market Participant's injury, which are required elements for a Market Participant to receive compensation under Section 4.1.2(4). Thus, it might not be possible to award compensation under Section 4.1.2(4) in every scenario.

³ ERCOT Protocols Section 20.1(1) provides that the ADR procedure only applies to a "claim by a Market participant that ERCOT has violated or misinterpreted any law, including any statute, rule, Protocol, Other Binding Document, or Agreement, where such violation or misinterpretation results in actual harm, or could result in imminent harm, to the Market Participant."