



Item 4: Letter of Credit Issuer Limits

Mark Ruane

Director, Settlements, Retail and Credit

Urgent Finance and Audit Committee Meeting

ERCOT Public

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Letter of Credit Issuer Limits

- Protocol Section 16.11.3, Alternative Means of Satisfying ERCOT Creditworthiness Requirements, incorporates letter of credit (LC) issuer limits determined by the long-term issuer rating and the Tangible Net Worth of the Issuer.
- Protocol Section 16.11.3 requires ERCOT Board approval (upon TAC recommendation) when limits are being revised.
- The F&A Committee has requested a semi-annual review of the letter of credit issuer concentration.

Letter of Credit Issuer Limits

LC issuer limits are determined as follows:

Issuer Rating ⁽¹⁾		Maximum Letter of Credit Issuer Limit as a % of Tangible Net Worth
Moody's	Fitch/S&P	
Aaa	AAA	1.00%
Aa1	AA+	.95%
Aa2	AA	.90%
Aa3	AA-	.85%
A1	A+	.80%
A2	A	.75%
A3	A-	.70%

⁽¹⁾ Determined in accordance with ERCOT Protocol Section 16.11.3, based on most recent audited financial statements.

- In addition, each issuer is subject to an overall limit of \$750 million.

Letter of Credit Issuer Limits

ERCOT computed the issuer limits and reviewed outstanding LCs for the six months ending July 30, 2020.

Summary Statistics	Six months ending		Change
	01/31/2020	07/30/2020	
Number of issuers	33	32	-1
Minimum computed limit	\$19.14m	\$25.88m	\$6.74m
Issuers with limit at \$750m cap	5	5	-
Minimum current excess capacity	\$19.14m	\$11.11m	-\$8.03m
Maximum excess capacity	\$735.58m	\$733.58m	-\$2.0m
LC issuance in excess of limits	0	0	0

Letter of Credit Concentration Limits (\$ millions)

LC Issuer	Computed Issuer Limit	LCs Outstanding as of July 30, 2020	Excess Capacity as of July 30, 2020	% Current Excess / Limit	Maximum LCs Issued, Feb 2020 - July 30, 2020	Average LCs Issued, Feb 2020 - July 30, 2020
Bank of America NA	750.00	249.14	500.86	67%	249.14	201.49
Bank of Montreal	273.25	25.00	248.25	91%	25.00	25.00
Bank of Nova Scotia	304.25	20.08	284.17	93%	25.08	22.65
Bank of Tokyo-Mitsubishi UFJ, Ltd. New York Branch	750.00	16.42	733.58	98%	16.42	15.92
Barclays Bank PLC	524.19	74.40	449.79	86%	74.40	43.46
BNP Paribas	750.00	185.24	564.76	75%	381.29	304.77
Canadian Imperial Bank	200.04	20.40	179.64	90%	20.40	16.45
Citibank NA	750.00	93.00	657.00	88%	93.00	45.78
CoBank ACB	89.82	37.50	52.32	58%	37.50	37.50
Comerica Bank	52.67	3.20	49.47	94%	3.20	3.02
Cooperatieve Rabobank U.A.	382.18	0.40	381.78	100%	0.60	0.37
Credit Agricole Corporate & Investment Bank SA	185.29	70.00	115.29	62%	70.00	29.17
Credit Industriel et Commercial	135.92	12.00	123.92	91%	12.00	12.00
Credit Suisse AG	346.60	72.00	274.60	79%	72.00	72.00
DNB Bank ASA	178.70	87.50	91.20	51%	122.50	93.61
Frost Bank	25.88	0.20	25.68	99%	0.20	0.20
Goldman Sachs Bank USA	234.17	34.30	199.87	85%	34.30	34.30
HSBC Bank USA NA	173.73	0.00	173.73	100%	0.75	0.75
KeyBank National Association	103.21	15.50	87.71	85%	15.50	13.90
Lloyds Bank Corporate Markets PLC	366.94	196.00	170.94	47%	196.00	135.45
Mizuho Corporate Bank Ltd.	490.92	137.85	353.08	72%	171.85	135.88
Morgan Stanley Bank, N.A.	127.23	5.00	122.23	96%	5.50	4.18
MUFG Union Bank N.A.	103.89	3.00	100.89	97%	3.00	3.00
National Australia Bank Limited	286.90	85.00	201.90	70%	85.00	85.00
Natixis	132.84	121.73	11.11	8%	167.15	91.80
PNC Bank NA	245.71	2.75	242.96	99%	13.95	12.50
Shinhan Bank New York Branch	218.31	3.25	215.06	99%	3.25	3.25
Societe Generale	476.14	153.00	323.14	68%	158.00	151.24
Sumitomo Mitsui Banking Corporation.	564.17	75.00	489.17	87%	75.00	51.78
Toronto-Dominion Bank, The	466.49	4.13	462.37	99%	26.48	15.33
US Bank	321.09	20.00	301.09	94%	20.00	15.95
Wells Fargo	750.00	47.30	702.70	94%	108.30	61.43
		1,870.28				

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Questions