



## **Item 11: Letter of Credit Issuer Limits**

*Mark Ruane*

Senior Director, Settlements, Retail and Credit

Urgent Finance & Audit Committee Meeting

ERCOT Public

February 8, 2021

# 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 <sup>(1)</sup>		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%

<sup>(1)</sup> 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 December 31, 2020.

Summary Statistics	six months ending		Change
	06/30/2020	12/31/2020	
Number of issuers	33	34	1
Minimum computed limit	\$19.14m	\$24.66m	\$5.52m
Issuers with limit at \$750m cap	5	5	-
Minimum current excess capacity	\$19.14m	\$24.66m	\$5.52m
Maximum excess capacity	\$733.58m	\$717.99m	-\$15.59m
LC issuance in excess of limits	1	0	-1

# Letter of Credit Concentration Limits (\$ million)

LC Issuer	Computed Issuer Limit	LCs Outstanding as of December 31,2020	Excess Capacity as of December 31,2020	% Current Excess / Limit	Maximum LCs Issued, Jul 2020- Dec 2020	Average LCs Issued, Jul 2020- Dec 2020
Bank of America NA (FI)	750.00	84.14	665.86	89%	323.14	168.10
Bank of Montreal (FI)	273.25	0.00	273.25	100%	100.00	18.99
Bank of Nova Scotia (FI)	304.25	19.08	285.17	94%	24.08	22.93
Bank of Tokyo-Mitsubishi UFJ, Ltd. New York Branch (FI)	750.00	46.21	703.79	94%	46.42	39.54
Barclays Bank PLC (FI)	524.19	50.50	473.69	90%	74.40	44.84
BNP Paribas (FI)	750.00	160.74	589.26	79%	216.64	178.09
BOKF NA (FI)	24.66	0.00	24.66	100%	0.00	0.00
Canadian Imperial Bank (FI)	200.04	17.90	182.14	91%	26.90	20.04
Citibank NA (FI)	750.00	32.01	717.99	96%	160.00	62.74
CoBank ACB (FI)	89.82	37.50	52.32	58%	37.50	37.50
Comerica Bank (FI)	52.67	3.20	49.47	94%	3.20	3.20
Cooperatieve Rabobank U.A. (FI)	359.70	0.40	359.30	100%	0.40	0.40
Credit Agricole Corporate & Investment Bank SA (FI)	185.29	96.54	88.75	48%	140.00	79.33
Credit Industriel et Commercial (FI)	135.92	0.00	135.92	100%	12.00	9.00
Credit Suisse AG (FI)	346.60	0.50	346.10	100%	72.00	60.34
DNB Bank ASA (FI)	178.70	75.70	103.00	58%	87.50	79.34
Frost Bank (FI)	25.88	0.20	25.68	99%	0.20	0.20
Goldman Sachs Bank USA (FI)	234.17	34.30	199.87	85%	34.30	34.30
HSBC Bank USA NA (FI)	173.73	0.00	173.73	100%	0.75	0.11
KeyBank National Association (FI)	103.21	15.50	87.71	85%	15.50	15.50
Lloyds Bank Corporate Markets PLC (FI)	366.94	191.50	175.44	48%	336.00	196.89
Mizuho Corporate Bank Ltd. (FI)	501.37	134.86	366.51	73%	177.85	137.26
Morgan Stanley Bank, N.A. (FI)	127.23	5.00	122.23	96%	5.50	5.02
MUFG Union Bank N.A. (FI)	103.89	3.00	100.89	97%	3.00	3.00
National Australia Bank Limited (FI)	286.90	85.00	201.90	70%	85.00	85.00
Natixis (FI)	132.84	27.83	105.01	79%	470.30	88.44
PNC Bank NA (FI)	245.71	1.75	243.96	99%	12.75	3.24
Royal Bank of Canada (FI)	462.33	80.00	382.33	83%	80.00	43.48
Shinhan Bank New York Branch (FI)	218.31	5.00	213.31	98%	5.00	4.12
Societe Generale (FI)	476.14	162.80	313.34	66%	170.00	157.80
Sumitomo Mitsui Banking Corporation (FI)	553.74	42.00	511.74	92%	75.00	58.37
Toronto-Dominion Bank, The (FI)	466.49	7.13	459.37	98%	19.13	8.27
US Bank (FI)	321.09	20.00	301.09	94%	20.00	20.00
Wells Fargo (FI)	750.00	48.95	701.05	93%	48.95	47.60
		1,489.23				



# Letter of Credit Issuer Limits

## Questions