MEMORANDUM

To: Board of Directors

From: Steve Byone, Vice President and Chief Financial Officer

Date: April 15, 2009

Re: Proposed Market Credit Risk Standard

The Finance and Audit (F&A) Committee of the ERCOT Board of Directors (Board), in its oversight role as it seeks to maintain the long-term financial integrity of the ERCOT market, asked ERCOT to develop a standard by which the Board could monitor and evaluate the credit risk of the market as a whole. The proposed Market Credit Risk Standard (Standard) was developed by ERCOT and has been reviewed and endorsed by the Credit Work Group (CWG) and the Technical Advisory Committee (TAC).

The F&A Committee will be discussing this Standard at its meeting on April 22, 2009, and is expected to approve the Standard. Pending approval by the F&A Committee, this Standard will be brought to the Board for its approval at its meeting on May 20, 2009. The Standard is attached for your information and review in preparation for the **May** meeting.