

Credit Working Group**ERCOT****Meeting Minutes****January 26, 2011** (Face-to-Face Meeting with Webex – Austin Energy)**Attendance**

Independent Retail Electric Providers	Peter J. Karculias – Cirro Group Inc. Amanda List – Direct Energy Ryan Evans – ACES Power
Independent Power Marketers	James Farrell – Constellation Energy Commodities Group Phil Priolo – Exelon Generation Company LLC Keith Volf – Keystone Energy Partners
Independent Generators	Arleen Spangler- NRG Texas LLC Morgan Davies – Calpine Power Cesar Seymour – GDF Suez Mark Holler – Tenaska Richard Guierrez – NASDAQ Vanus Priestly – Macquarie Energy LLC
Investor Owned Utilities	Don Blackburn – Luminant Generation Company LLC Tim Coffing – Luminant Generation Company LLC
Municipals	Tamila Nikazm – Austin Energy Josephine Wan – Austin Energy Don Daugherty – City of Garland Jack Brown – City of Garland Lee Starr – Bryan Texas Utilities (BTU) Domingo Villarreal – CPS Energy
Cooperatives	Roger Stewart – Lower Colorado River Authority Loretto Martin – Lower Colorado River Authority Shams Siddiqi - Lower Colorado River Authority
Others	Randy Baker – Smith Street Advisors Kevin Carter – Duke Energy Ohio Stephen Hess – Edison Mission Seth Cochran – DC Energy Bob Whittmeyer Brian Ellison Tyler Stoneman
ERCOT Staff	Cheryl Yager

	Vanessa Spells Rizaldy Zapanta
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Tamila Nikazm called the meeting to order at 9:00 am.

Approval of Meeting Minutes – January 7, 2011

Tim Coffing submitted a motion to approve the January 7th CWG/MCWG meeting minutes. Tamila Nikazm seconded the motion. Motion passed.

Review of CWG Charter

CWG Charter to be reviewed at next CWG meeting.

Review PRRs/NPRRs

The group discussed the following PRRs/NPRRs and agreed there were no credit implications:

- NPRR 290** ERCOT Publication of DAM PSS/E Files
- NPRR 294** Texas SET 4.0 Including: Acquisition and Transfer of Customers From One REP to Another; Meter Tampering Transactional Solution
- NPRR 298** New Definitions Related to Black Start
- NPRR 299** Remove Requirement for ERCOT Board Approval of PUCT, IMM, and FERC Required Reports
- NPRR 301** Correct Energy Trade Language for Adjustment Period
- NPRR 303** Requirement to Post PTP Options Cleared in DAM or Taken to Real Time
- NPRR 304** Removal of Frequency Bias Methodology Approval Requirement
- NPRR 305** Timeline for Calculating the Value of X

Loretto Martin submitted a motion that there are no credit implications on the above PRRs and NPRRs. Ms. Nakizm seconded the motion. Motion passed.

Feedback from F&A Meeting

Ms. Nikazm provided an update from the Jan F&A Meeting

2011 Projects-Review Assignments of Sub-groups

Participants were asked to sign-up to work on 2011 Project sub-groups. The contacts for the sub-groups are:

- Nodal Credit Calculations – Tim Coffing
- Netting/Mutuality – Tamila Nikazm
- ERCOT Unsecured Credit Policies – Arleen Spangler
- Tightening settlement/payment cycle – Loretto Martin

Roger Stewart requested the meeting announcements and agendas be forwarded to the CWG & MCWG distribution lists.

PTP Obligations offset with CRRs

Mr. Coffing presented to the group that the Day Ahead Market requires collateralization of PTP bids even when the Counter-Party holds expiring CRRs for the same Source/Sink/TOU/MW.

The group discussed ways to more efficiently address this scenario and began drafting a NPRR based on the discussion and generally agreed that an effort in this area would be beneficial.

Ms. Yager agreed to discuss best options with DA operations to address operational concerns.

Reducing Settlement/Payment Timeline and Forward Risk

Ms. Martin provided an update on a proposal to reduce the settlement timeline and payment process.

The group discussed various options and ERCOT agreed to bring back a draft NPRR. For a long term solution, Mr. Coffing noted that there might be a benefit to “matching up” DA and RT Operating Day activity on the same invoice, even if the DAM settlement time line were delayed somewhat to achieve this.

Jack Brown indicated that he would like to see the low hanging fruit addressed initially. The group agreed to continue to work with SEWG on reducing the settlement and payment timeline.

Forward Risk

Cheryl Yager provided the group with a presentation on Forward Risk. She provided the group with an example of the potential impacts of reducing settlement, invoicing, and payment cycles on collateral and potential losses, noting that it was possible for losses to increase with increased netting if collateral went down disproportionately with the default risk.

Morgan Davies reminded the group that over \$1 billion in collateral was currently held in the ERCOT Market. Ms. Yager noted that the required collateral per the TPE was about the same as it was in Zonal. Since collateral held is substantially higher than collateral required, she stated that it was her belief that market participants posted extra collateral at ERCOT due to uncertainty around market open. Her expectation was that collateral would come down over time.

Netting/Mutuality

Ms. Nikazm informed the group that the sub-group was looking for ways to make netting of CCE to FCE available for all entities (given certain conditions) in the ERCOT Market. Ms. Nikazm noted that she planned to visit with other ISOs and review other papers on the subject while considering how the market should handle netting.

Next steps:

- Get ERCOT to adapt a solution once a decision is made
- Review entities that are currently exempt and see where municipalities fall

Mr. Coffing asked whether the group wanted to look at alternative forms of collateral.

Mr. Brown indicated that he would like to review alternative suggestions and not limit the solution to the 1st Priority Security Agreement.

ERCOT Standard Form Letter of Credit and Guarantee Agreement

Ms. Yager informed the group that Mr. Seely is compiling the comments for the documents and plans to review with F&A during the April meeting. ERCOT will circulate 2nd draft of comments on March 4. Final comments are due back from MPs by March 23rd.

The meeting was adjourned at 3:00 pm.