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## **Item 6: Periodic Report on Credit Work Group Activity**

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Finance & Audit Committee Meeting  
ERCOT Public  
May 13, 2013

# Credit Work Group (CWG) Update

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- Next Meeting Scheduled for May 23, 2013

## Key Outstanding Issues

- **Exemption of Emergency Response Service (ERS)-Only Qualified Scheduling Entities (QSEs) from Collateral and Capitalization Requirements**
  - Two options were provided to prevent ERS-only entities from participating in the Day-Ahead, Real-Time and Congestion Revenue Right (CRR) markets:
    1. Restrict access to these markets through the creation of a read-only profile for ERS-only QSEs in the Market Participant Identity Management (MPIM) application.
    2. Manual verification by ERCOT staff.
- **CWG endorsed option 1 and added a provision on Risk Management verification for ERS-only entities.**

# Credit Work Group Update

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## Key Outstanding Issues

- **Annual Review of Day Ahead Market (DAM) Collateral Parameters Process and CRR Auction Parameters**
  - CWG currently reviewing DAM Collateral Parameters
  - CWG recognized the DAM credit parameters were determined during nodal design in 2008-2009
  - Actual data now available to determine appropriateness of current parameters
  - Given the importance of having the appropriate parameters at the onset of summer months, an additional meeting prior to the regularly scheduled meeting has been scheduled to discuss possible changes to the parameters.
  - In addition, M2 parameters will be included in the discussion at the upcoming DAM parameter meetings. This is one determinant of the days activity that is collateralized.

# Credit Work Group Update

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## Key Outstanding Issues

- **Letter of Credit (LC) Concentration Recommendation**
  - F&A Committee requested updated LC concentration proposal from ERCOT staff
  - ERCOT presented proposal for a \$750 million cap limit per LC issuer
  - Issuer limits adjusted based on Tangible Net Worth and credit rating
  - ERCOT to issue daily report for each LC issuer and available capacity, with intra day reports available on request
  - ERCOT, at its sole discretion, may authorize exceptions
  - If limit is breached, counter-parties will have four months to find a substitute issuer
  - ERCOT supports phased in approach to implementation of limits
  - ERCOT will shadow the proposed limit structure over summer before seeking final approval from the F&A Committee