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## **Item 5.2: Letter of Credit Issuer Limits**

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Finance and Audit Committee Meeting

October 13, 2014

ERCOT Public

# Letter of Credit Issuer Limits

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The [ERCOT Creditworthiness Standards](#) incorporate Letter of Credit (LC) issuer limits determined by the long-term issuer rating and the Tangible Net Worth of the Issuer.

Pursuant to the Standards, “Issuer limits will be reviewed by CWG and approved by F&A no less often than annually.”

# 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 Creditworthiness Standards, 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

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ERCOT computed the issuer limits and reviewed outstanding LCs since opening of the nodal market.

## Summary Statistics

- Number of issuers: 23
- Minimum computed limit: \$13.3 million
- Issuers with limit at \$750 million cap: 4
- Minimum current excess capacity: \$13.1 million
- Maximum excess capacity: \$708.9 million
- LC issuances in violation of limits: 0
- New maximums set in Summer 2014: 1

# Letter of Credit Issuer Limits

## Detailed statistics Letter of Credit Concentration Limits (\$ millions)

LC Issuer	Computed Issuer Limit	Current LCs Issued	Current Excess Capacity	Current Excess/Limit %	Maximum LCs Issued	Date of Maximum Issuance	Limit o/(u) Maximum Issuance
BNP Paribas(GA)	750.0	104.5	645.5	86%	166.7	11/19/2013	583.3
BOKF NA(FI)	13.3	0.2	13.1	99%	0.2	11/19/2013	13.1
Bank of America NA(GA)	750.0	71.5	678.6	90%	86.5	11/19/2013	663.6
Bank of Nova Scotia(FI)	288.6	60.2	228.4	79%	80.2	11/19/2013	208.4
Bank of Tokyo-Mitsubishi UFJ, Ltd. New York Branch(FI)	708.9	0.0	708.9	100%	0.0	11/19/2013	708.9
Barclays Bank PLC(FI)	361.3	96.0	265.3	73%	116.0	11/19/2013	245.3
Canadian Imperial Bank(FI)	128.5	29.9	98.6	77%	31.4	11/19/2013	97.1
Citibank NA(FI)	750.0	108.0	642.0	86%	108.0	11/19/2013	642.0
Comerica Bank(FI)	48.0	1.0	47.0	98%	1.1	11/19/2013	47.0
DNB Bank ASA(FI)	145.9	50.0	95.9	66%	50.0	11/19/2013	95.9
Deutsche Bank(FI)	565.9	56.1	509.8	90%	69.4	11/19/2013	496.5
Frost Bank(FI)	14.9	0.2	14.7	99%	0.3	11/19/2013	14.6
KeyBank National Association(FI)	56.3	11.0	45.3	80%	11.0	11/19/2013	45.3
Lloyds Bank PLC (FI)	489.7	85.0	404.7	83%	85.0	5/30/2014	404.7
Mizuho Corporate Bank Ltd.(FI)	453.2	28.4	424.7	94%	28.9	3/14/2014	424.2
Natixis(FI)	150.7	14.0	136.7	91%	14.0	12/10/2013	136.7
PNC Bank NA(FI)	189.1	1.0	188.1	99%	1.3	11/19/2013	187.8
Societe Generale(FI)	476.1	10.2	465.9	98%	10.8	4/15/2014	465.3
Standard Chartered(FI)	321.4	0.8	320.6	100%	0.8	7/22/2014	320.6
Toronto-Dominion Bank, The (FI)	298.9	20.0	278.9	93%	20.0	12/19/2013	278.9
US Bank(FI)	214.2	76.8	137.4	64%	76.8	11/19/2013	137.4
Union Bank of California NA(FI)	79.1	0.0	79.1	100%	0.0	11/19/2013	79.1
Wells Fargo(FI)	750.0	82.3	667.7	89%	170.1	11/19/2013	580.0
	8004.0	907.0	7097.0	89%	1128.3		6875.7

# Letter of Credit Issuer Limits

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The Letter of Credit issuer limits were last approved by the F&A Committee in November 2013.

At its August 20, 2014 meeting, CWG/MCWG endorsed the existing limits.

At its September 3, 2014 meeting, WMS endorsed the existing limits.

At its September 25, 2014 meeting, TAC endorsed the existing limits.

# Letter of Credit Issuer Limits: Request for Vote

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**ERCOT staff recommends that the ERCOT Finance and Audit Committee approve the existing Letter of Credit Issuer Limits without modification as recommended by the Credit Work Group.**

**<Vote>**