



Item 5: Periodic Report on Credit Work Group Activity

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ERCOT Public

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Credit Work Group Update

NPRR 660

- Removes references to the CRR State Change Adder
 - Created as part of NPRR 484 but criteria for use never defined
 - Removal slightly reduces the complexity of NPRR 484 phase 2 implementation

Revision to the Credit Application

- Removed language asking for Banking information and credit references since this information is not used
- Added language clarifying that requested estimates of Load, ESI IDs, etc. will be used to compute IEL (Initial Estimated Liability)

Credit Work Group Update

NPRR 638

- To incorporate the seasonality of power prices this NPRR requires a substantial change to the way ERCOT calculates collateral requirements
- A key outstanding issue is computing seasonal prices
 - Compute prices at the interval level using a 3-year historical dataset looking back one week relative to the current Operating Day (including the current year) and ahead three weeks, then determine the price at some probability level i.e. P84
 - Calculate price estimates at a block level (HE 1- 6, HE 7 – 14, HE 15 -18, HE 19 – 24) instead of at the interval level. Calculate price estimates at a monthly level. Separate weekend and weekday estimates
 - Use one of the above techniques along with historical Gas prices to compute a Heat Rate, then use current Gas price along with this Heat Rate to derive the “seasonal price”
 - Something completely different
- CWG has requested that PRS keep this NPRR tabled while the Group works out the outstanding issues

Credit Work Group Update

Goals for 2015

- Incorporate seasonality into collateral requirements (NPRR 638)
- Explore the feasibility of using ERCOT generated Counter Party specific Credit Ratings in the collateral requirements
- Determine the Market's risk tolerance
- Review Market Risk under current and proposed market rules
- Continue to investigate methods to mitigate the effects of extreme market events (Letter of Credit, Credit Insurance, etc.)