



**The Finance & Audit (F&A) Committee is
expected to consider
F&A Committee Agenda Item 11:
*Recommendation regarding Revisions to ERCOT
Counter-Party Credit Application*
at its meeting on February 9, 2015.**

**The Board of Directors is expected to hear the
F&A Committee's recommendation on this matter
as part of the F&A Committee Report at
the Board meeting on February 9-10, 2015.**

**Attached are the Board materials in relation to
these agenda items.**



Item 11: Recommendation regarding Revisions to ERCOT Counter-Party Credit Application

Mark Ruane
Director, Market Credit

Finance & Audit Committee Meeting

February 9, 2015

ERCOT Public



Revisions to Counter-Party Credit Application

The Counter-Party Credit Application is the form used to provide ERCOT information on new Counter-Party applicants. Contents include:

- Counter-Party legal name, DUNS number, etc.
- Counter-Party contact information
- Bank information
- Estimated daily average load and generation (used to calculate the Initial Estimated Liability component of Total Potential Exposure)
- Counter-Party indication of how they intend to comply with ERCOT creditworthiness requirements (forms of collateral)

Per the Application,

“Revisions to the CP Credit Application shall be reviewed by the Credit Work Group and the Finance and Audit Committee and approved by the ERCOT Board”

Revisions to Counter-Party Credit Application

At its November 12, 2014 meeting, the Credit Work Group voted to make the following revisions to the Counter-Party Credit Application:

- Remove bank information (captured on Market Participant applications).
- Add Counter-Party website address.
- Request that QSEs provide their estimated number of Electric Service Identifiers (ESI IDs). This is to facilitate calculation of the M1 component of Total Potential Exposure as revised effective October 1, 2014.
- Remove request for credit references (not used by ERCOT).
- Clarify which financial statements must be provided in cases where the most recent two years audited financials are not available.
- Request brief biographies of partners and principals.

A red-lined version of the Application has been provided for review.

ERCOT staff recommends that the F&A Committee recommend that the Board approve the revisions to the ERCOT Counter-Party Credit Application as proposed by the Credit Work Group.

<Vote>



Date: February 2, 2015
To: Board of Directors
From: Mark Ruane, Director Market Credit
Subject: Revisions to ERCOT Counter-Party Credit Application

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: February 9-10, 2015

Item No.: 14.5

Issue:

Whether to approve the Credit Work Group (CWG) proposed revisions to the ERCOT Counter-Party Credit Application.

Background/History:

Revisions to the ERCOT Counter-Party Credit Application require review by the Finance and Audit (F&A) Committee and approval by the Board of Directors (Board).

ERCOT staff proposed the following revisions to the application, which were endorsed by the CWG and Market Credit Working Group (MCWG) at their November 12, 2014 joint meeting:

- Remove bank information captured elsewhere;
- Add Counter-Party website address;
- Request that Qualified Scheduling Entities (QSEs) provide their estimated number of Electric Service Identifiers (ESI IDs) to facilitate calculation of Total Potential Exposure (TPE) as revised effective October 1, 2014;
- Remove request for credit references;
- Clarify which financial statements must be provided in cases where the most recent two years audited financials are not available;
- Require notification of previous principal bankruptcies; and
- Request brief biographies of partners and principals.

A copy of the revised ERCOT Counter-Party Credit Application is included as *Attachment A*.

Key Factors Influencing Issue:

Proposed revisions help ensure that the application more accurately reflects the information required by ERCOT as part of the Counter-Party evaluation process

Conclusion/Recommendation:

The F&A Committee is expected to review the ERCOT Counter-Party Credit Application at its meeting on February 9, 2015, and is expected to recommend to the Board whether any revisions should be made to the ERCOT Counter-Party Credit Application.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to revise the ERCOT Counter-Party Credit Application (the Application), as recommended by the Finance and Audit (F&A) Committee, consistent with the revisions reflected in *Attachment A* hereto;

THEREFORE, BE IT RESOLVED, that ERCOT is hereby authorized and approved to revise the Application consistent with the revisions reflected in *Attachment A*, to be effective immediately.

CORPORATE SECRETARY'S CERTIFICATE

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its February 9-10, 2015 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of February, 2015.

Vickie G. Leady
Assistant Corporate Secretary



Date Received: _____

Attachment A

Counter-Party (CP) Credit Application

If Applicant already has a CP Credit Application on file with ERCOT, only Section One (Applicant Information) ~~and Section Two (Applicant Bank Information) are~~ required.

Revisions to the CP Credit Application shall be reviewed by the Credit Work Group and the Finance and Audit Committee and approved by the ERCOT Board.

1. APPLICANT INFORMATION					
Legal Entity Name: <i>(Entity that signed the Standard Form Agreement and considered the CP per ERCOT Protocols.)</i>					
DUNS No.:		Federal EIN:			
Street Address:					
City:		State:		Zip:	
Authorized Representative (AR):		Phone:		Email Address:	
Backup AR:		Phone:		Email Address:	
Credit Contact:		Phone:		Email Address:	
Backup Credit Contact:		Phone:		Email Address:	
Corporate Parent (if any):					
<u>Website Address:</u>					
<u>Total Potential Exposure (TPE) components required per Protocol Section 16.11.14</u>					
QSE's estimate of daily average MWHs of Load:					
QSE's estimate of daily average MWHs of Generation:					
QSE's estimated percentage of the daily average MWHs of Load represented by the Applicant to be purchased in the Real-Time market:					
QSE's estimated percentage of the daily average MWHs of Generation represented by the Applicant to be purchased in the Real-Time market:					
<u>QSE's estimated number of Electric Service Identifiers (ESI IDs)</u>					
2. APPLICANT BANK INFORMATION					
<u>Primary Bank Name:</u> _____					
<u>Address:</u> _____					
<u>City:</u>	_____	<u>State:</u>	_____	<u>Zip:</u>	_____
<u>Contact:</u>	_____	<u>Phone Number:</u>	_____		
<u>Account Name:</u> _____					
<u>Account No.:</u> _____					
<u>ABA Number:</u> _____					
<i>Please attach a separate list of any additional banks where applicable.</i>					
3. CREDIT REFERENCES					

Attachment A

Name:	_____		
Contact:	_____	Phone:	_____
Name:	_____		
Contact:	_____	Phone:	_____
Name:	_____		
Contact:	_____	Phone:	_____
PLEASE PROVIDE REQUESTED SUPPLEMENTAL DATA & SIGN BELOW.			
Supplemental Credit Data (to be included with application submission):			
<p>1. Financial Statements:</p> <ul style="list-style-type: none"> • <u>Most recent two (2) years independently audited financial statements or, if most recent two years independently audited annual financial statements are not available;</u> • <u>Up to the most recent two unaudited and/or independently audited annual financial statements, or, if annual financial statements are not available;</u> • <u>Quarterly unaudited financial statements for as much of the most recent two years as are available.</u> • <u>If seeking unsecured credit, provide any quarterly financial statements dated subsequent to the most recent annual financial statements.</u> <p>2. If company is publicly held, most recent Form 10-Q and 10-K</p> <p>3. <u>In cases where Applicant does not have Utility credit references, attach a list of three trade payables vendor references. If company is privately held, biographies of the partners and principals.</u></p> <p>4. Mandatory disclosure of prior bankruptcy declarations by Applicant or predecessor-(s) <u>or principals</u></p>			
<p>Please indicate how Applicant intends to comply with ERCOT's creditworthiness requirements (see Protocols Section 16.11):</p> <p><input type="checkbox"/> Applicant meets ERCOT's Creditworthiness Standards (see http://www.ercot.com)</p> <p><input type="checkbox"/> Corporate Guarantee</p> <p><input type="checkbox"/> Letter of Credit</p> <p><input type="checkbox"/> Surety Bond</p> <p><input type="checkbox"/> Cash Deposit</p>			
Signature of AR, Backup AR or Officer:			
Printed Name of AR, Backup AR or Officer:			
Date:			

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