



Item 9: Periodic Report on Credit Work Group Activity

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2014 Chair, Credit Work Group

Finance & Audit Committee Meeting

ERCOT Public

February 9, 2015

Credit Work Group Update

NPRR 638: Revision to Price Components of EAL

- Better synchronizes computed credit exposure with seasonal risk
- Targets increases in calculated seasonal exposure to Counter-Parties with market exposure, rather than to all Counter-Parties
- More accurately adjust credit exposure on a Settlement Point specific basis
- Passed at January 20 2015 CWG meeting

Other NPRRs

- NPRR 670 Clarification of Portfolio-Weighted Auction Clearing Price
- NPRR 671 DAM Credit Parameters
- NPRR 673 Corrections to IEL

Credit Work Group Update

DAM Credit Parameters Annual Approval

- Approved without change the white paper: Procedures for Setting Nodal Day Ahead Market (DAM) Credit Requirement Parameters
- NPRR 671 will remove the requirement

Available Credit Limit (ACL)

- Currently ACL is calculated as 90% of excess posted collateral
 - $ACL = 0.9 * (\text{posted collateral} - \text{required collateral})$
- The reduction is independent of exposure
- Potential change is to increase required collateral in the ACL calculation by 10%
 - $ACL = \text{posted collateral} - 1.1 * \text{required collateral}$

Credit Work Group Update

Credit Work Group vs Market Credit Working Group

- Always hold joint meetings
- Essentially the same membership
- Reporting
 - CWG reports to F&A
 - MCWG reports to WMS
- Are both necessary?

Ongoing Issues

- CWG will continue to look for ways to ensure that the market is properly collateralized
 - Tail Risk

Questions