**Market Risk Survey**

**Preamble**

Who- The ERCOT Board’s Finance and Audit subcommittee is interested in understanding the ERCOT market’s “risk appetite.”

What- Risk appetite is broadly defined, for the purpose of this survey, to mean the amount of default uplift cost risk ERCOT market participants, in aggregate, are willing to accept relative to collateral posting requirements. ERCOT is specifically interested in opinions on the trade-off between higher collateral requirements and lower probability of default uplift to the ERCOT market (less uncertainty); and, lower collateral requirements and higher probability of default cost uplift to the ERCOT market (higher uncertainty).

Why- The ERCOT Board continuously reviews ERCOT’s credit requirements and the impact those requirements have on uplift risk as well as cost to market participants and barriers to competition. How it will be used – The information gathered from this survey will be aggregated in a fashion that protects the identity of any individual company.

Instructions- This survey should be filled out by your company’s risk manager. However, if your company does not have a risk manager available to fill out the survey, it may be filled out by any financial decision-maker in your company. Whoever fills out the survey should answer the question from *their perspective*.

[Other suggested inclusions: How long the survey might take, Deadline, Appreciation for their time,

**Questions**

Baseline:

How would you describe your company’s appetite for risk under ERCOT’s current credit rules?

Acceptable risk of default cost given collateral posting requirements; Strongly Agree (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Strongly Disagree; or, Unable to Answer

Verification:

How would you describe your company’s appetite for risk if the uplift cost of default is allocated on a load ratio share? Acceptable risk of default cost given collateral posting requirements;

Strongly Agree (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Strongly Disagree; or, Unable to Answer

On a scale of 1-10, 1 being lowest risk of default in the market and 10 being greatest risk of default, how would you describe your company’s appetite for risk if the uplift cost is allocated on a volumetric share?

Lowest risk of default (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Greatest risk of default; or, Unable to Answer

On a scale of 1-10, 1 being lowest risk of default in the market and 10 being greatest risk of default, how would you describe your company’s appetite for risk if the uplift cost is allocated on a valuation share?

Lowest risk of default (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Greatest risk of default; or, Unable to Answer

On a scale of 1-10, 1 being lowest risk of default in the market and 10 being greatest risk of default, how would you describe your company’s appetite for risk if your company’s collateral requirements were reduced by 50% from ERCOT’s current requirement?

Lowest risk of default (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Greatest risk of default; or, Unable to Answer

On a scale of 1-10, 1 being lowest risk of default in the market and 10 being greatest risk of default, how would you describe company’s appetite for risk if your company’s collateral requirements were increased by 50% from ERCOT’s current requirement?

Lowest risk of default (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Greatest risk of default; or, Unable to Answer

On a scale of 1-10, 1 being too conservative and 10 being too risky, how would you rate ERCOT’s credit practices as they apply to Municipally Owned Utilities?

Too conservative (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Too Risky; or, Unable to Answer

On a scale of 1-10, 1 being too conservative and 10 being too risky, how would you rate ERCOT’s credit practices as they apply to Cooperatives?

Too conservative (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Too Risky; or, Unable to Answer

On a scale of 1-10, 1 being too conservative and 10 being too risky, how would you rate ERCOT’s credit practices as they apply to Publicly held generation entities?

Too conservative (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Too Risky; or, Unable to Answer

On a scale of 1-10, 1 being too conservative and 10 being too risky, how would you rate ERCOT’s credit practices as they apply to Privately held generation entities?

Too conservative (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Too Risky; or, Unable to Answer

On a scale of 1-10, 1 being too conservative and 10 being too risky, how would you rate ERCOT’s credit practices as they apply to Publicly held retail entities?

Too conservative (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Too Risky; or, Unable to Answer

On a scale of 1-10, 1 being too conservative and 10 being too risky, how would you rate ERCOT’s credit practices as they apply to Privately held retail entities?

Too conservative (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Too Risky; or, Unable to Answer

Demographic:

In what ERCOT market segment is your company registered?

Does your company serve load in ERCOT?

(Y/N)

Does your company have a credit sleeve or lock box arrangement with a credit support provider?

(Y/N)

Does your company own generation in ERCOT?

(Y/N)

Is your company registered as a Power Marketer at the Public Utility Commission of Texas?

(Y/N)

Is your company a Non-Opt-In Entity?

(Y/N)

Does your company own a transmission or distribution system in ERCOT?

(Y/N)

How long has your company been a member of ERCOT?

(0-5 years; 6-15 years; more than 16 years.)

Does your company have an employee or contractor that attends or monitors an ERCOT group that discusses credit/risk issues?

(Y/N)

Does your company have a credit/risk management professional that attends or monitors an ERCOT group that discusses credit/risk issues?

(Y/N)

Please rate your understanding (familiarity) of the ERCOT Protocols that deal with credit.

Least familiar (1) – (2) – (3) – (4) – (5) – (6) – (7) – (8) – (9) – (10) Most familiar; or, Unable to Answer

Does your company have a credit support agreement other than a credit sleeve or lockbox arrangement that reduces the risk of your company being unable to pay your ERCOT invoices? If yes, please explain at a high-level.

Do you have any observations, opinions, or feedback you would like to share with ERCOT about ERCOT’s credit-related Protocols or credit policies? (The more space you allow for this response the more encouraged participants will feel to write more.)

**Post-Survey Instructions**

Where to send response

Deadline for response

Whom to call for questions

Thank you