



Item 6: Credit and Collateral: Summer 2015

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Finance & Audit Committee Meeting

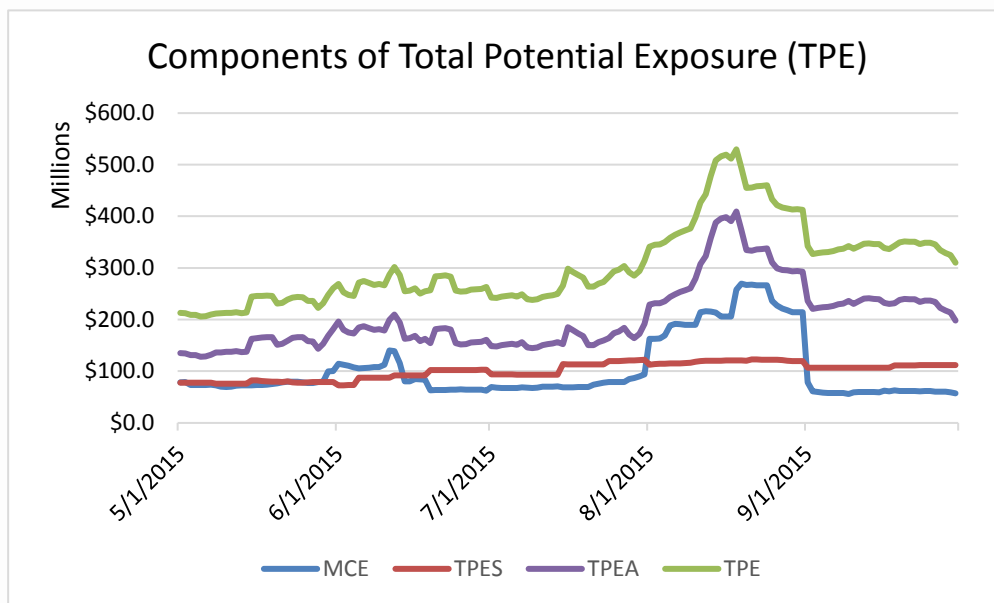
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ERCOT Public



Credit and Collateral: Summer 2015

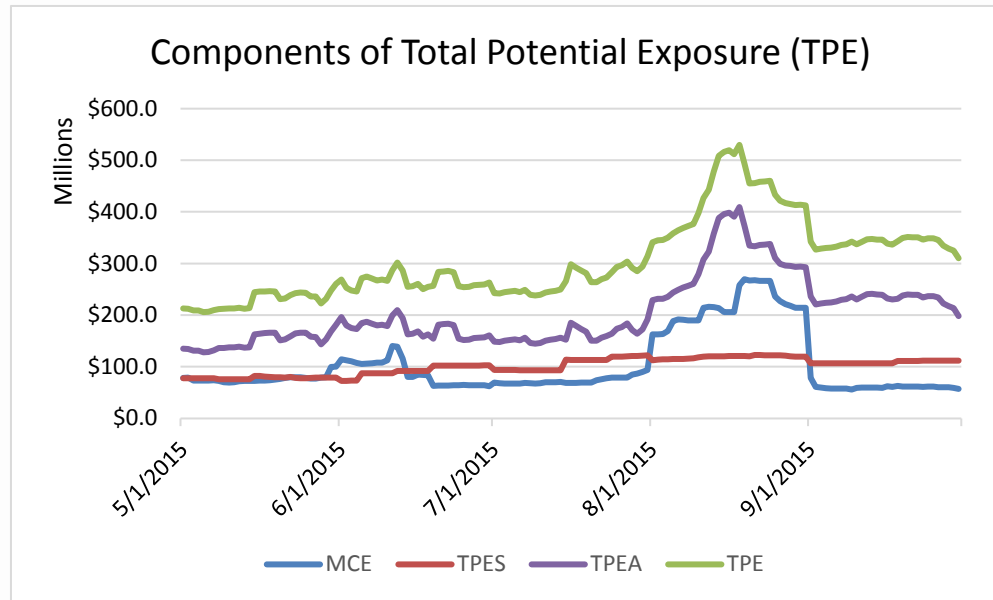
ERCOT's Total Potential Exposure (TPE) value increased markedly during the summer, particularly in August. The increase was more than offset by increased levels of collateral.



- MCE (Minimum Current Exposure) sets a minimum amount for each Counter-Party.
- TPES (Total Potential Exposure Secured) is primarily associated with CRR activity
- TPEA (Total Potential Exposure – Any) is associated with RT and DA market activity

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In August exposure was determined by the MCE calculation for 77 Counter-Parties, compared to 66 at the beginning of the summer.

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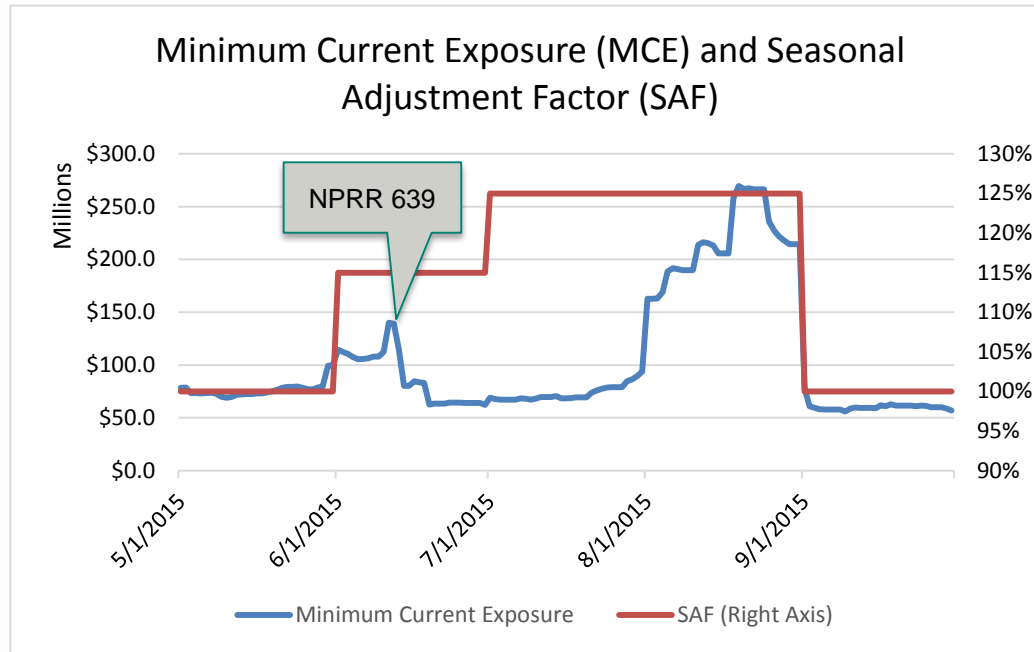
August average Total Potential Exposure (TPE) by Counter-Party rating and market segment.

Rating Group	CRR Only	Gen Only	Load Only	Load and		Percent TPE
				Gen	Trader	
AA- to AA+	0.0%	0.0%	0.0%	2.7%	0.0%	2.8%
A- to A+	0.0%	1.6%	2.4%	21.7%	7.4%	33.2%
BBB- to BBB+	0.7%	0.1%	0.5%	13.5%	1.2%	16.1%
BB- to BB+	0.0%	0.0%	0.0%	8.4%	5.0%	13.3%
B- to B+	0.0%	0.0%	0.0%	0.6%	0.0%	0.6%
Unrated and CCC+ and below	0.1%	1.9%	4.0%	19.5%	8.6%	34.0%
Percent TPE	0.9%	3.5%	6.9%	66.5%	22.2%	100.0%

Exposure is concentrated among Counter-Parties with both load and generation. A large proportion of exposure is associated with Counter-Parties that are either below investment grade or unrated.

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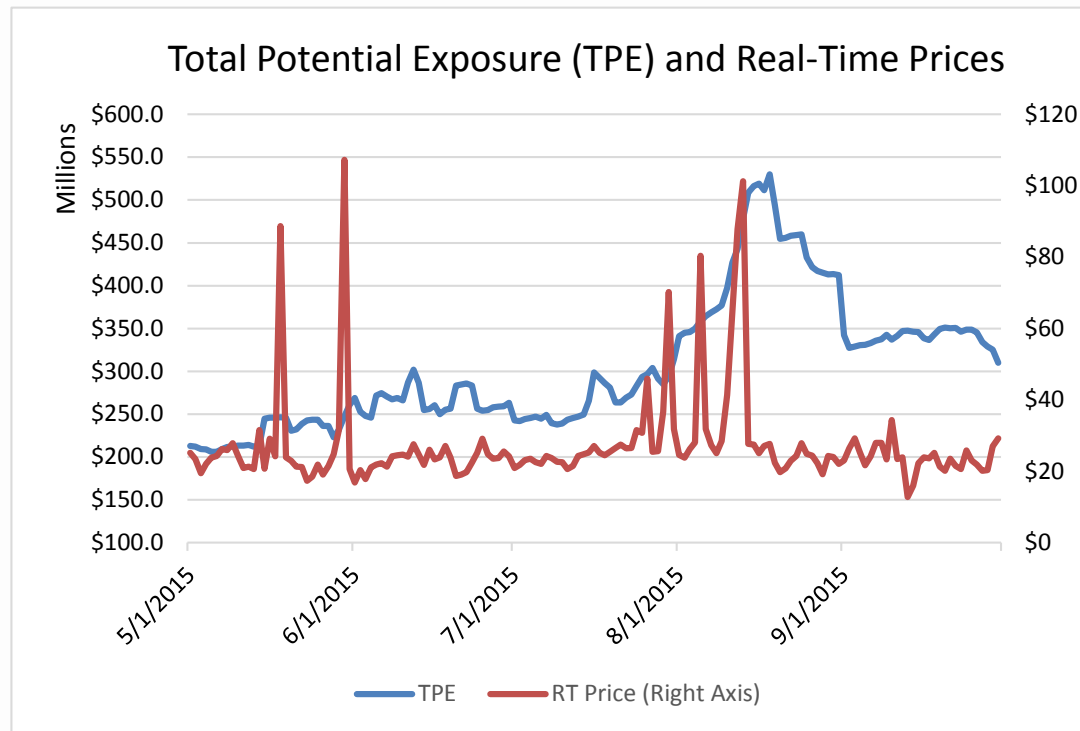
The MCE includes the Seasonal Adjustment Factor (SAF), which is a multiplier to account for seasonal effects.



The effect of the summer increase in the SAF was partially offset by the impact of NPRR639, “Correction to Minimum Current Exposure.”

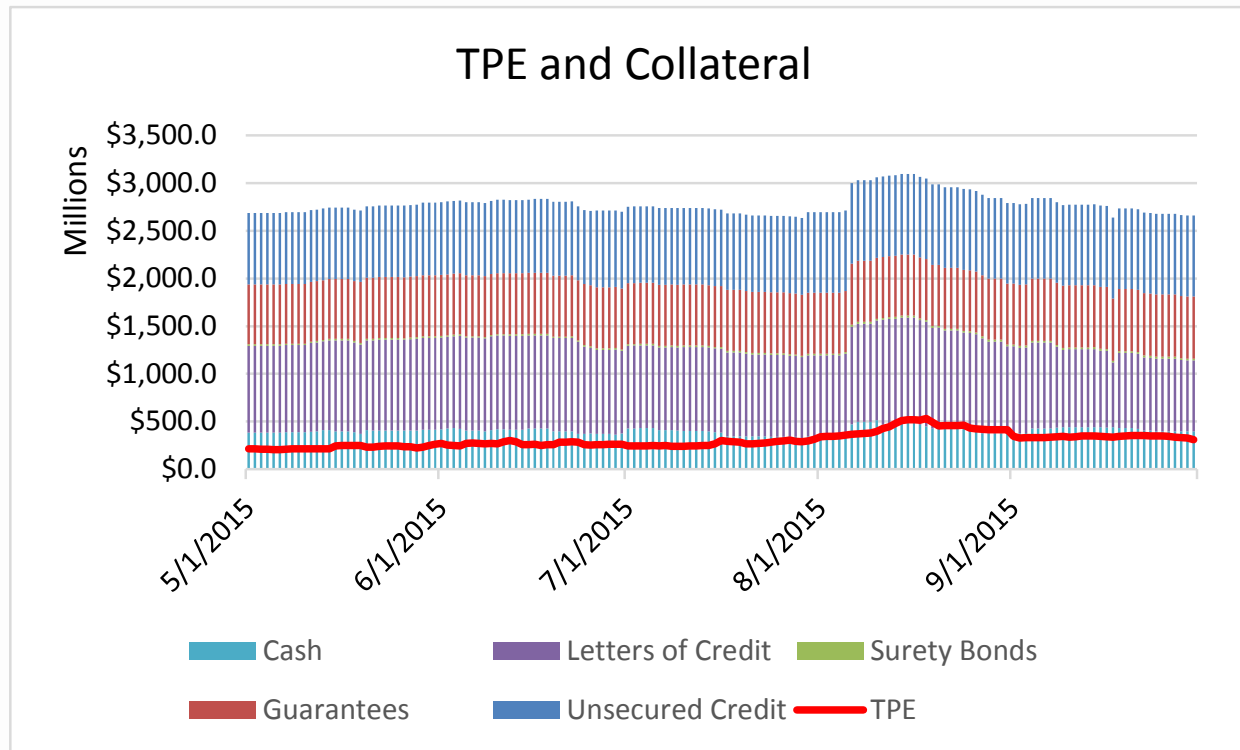
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Calculated Counter-Party exposure is less volatile than prices. High summer prices were seen more in price spikes than sustained increases. TPE also reflects the increase in summer volumes.



Credit and Collateral: Summer 2015

Aggregate collateral levels remained well in excess of exposure.



August average excess collateral* by Counter-Party rating and market segment.

Rating Group	CRR Only	Gen Only	Load Only	Load and Gen	Trader	Percent Excess Collateral
AA- to AA+	0.1%	0.0%	0.0%	3.6%	0.0%	3.6%
A- to A+	0.8%	3.1%	3.3%	26.0%	9.1%	42.3%
BBB- to BBB+	1.0%	0.1%	1.7%	11.6%	4.0%	18.3%
BB- to BB+	0.0%	0.0%	0.0%	4.7%	0.8%	5.6%
B- to B+	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%
Unrated and CCC+ and below	0.2%	2.2%	1.6%	11.7%	12.5%	28.2%
% Excess Collateral	2.2%	5.4%	6.6%	59.5%	26.4%	100.0%

Compared to exposure concentration, there is more cash and Letter of Credit excess collateral posted by higher-rated Counter-Parties.

* Excess collateral consists of cash, letters of credit and surety bonds in excess to TPE.

Questions

