



Item 7: Letter of Credit Issuer Limits

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ERCOT Public

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Letter of Credit Issuer Limits

Protocol Section 16.11.2, Requirements for Setting a Counter-Party's Unsecured Credit Limit, incorporates letter of credit (LC) issuer limits determined by the long-term issuer rating and the Tangible Net Worth of the Issuer.

Protocol Section 16.11.2 requires ERCOT Board approval (upon TAC recommendation) when limits are being revised.

The F&A Committee has requested a semi-annual review of the letter of credit issuer concentration.

Letter of Credit Issuer Limits

LC issuer limits are determined as follows:

Issuer Rating ⁽¹⁾		Maximum Letter of Credit Issuer Limit as a % of Tangible Net Worth
Moody's	Fitch/S&P	
Aaa	AAA	1.00%
Aa1	AA+	.95%
Aa2	AA	.90%
Aa3	AA-	.85%
A1	A+	.80%
A2	A	.75%
A3	A-	.70%

⁽¹⁾ Determined in accordance with ERCOT Protocol Section 16.11.2, based on most recent audited financial statements.

In addition, each issuer is subject to an overall limit of \$750 million.

Letter of Credit Issuer Limits

In December 2015 Standard & Poor's downgraded eight banks by one notch. The downgrades did not affect ERCOT letter of credit issuer limits because the downgrades were limited to non-bank holding companies, not the banking subsidiaries that issue letters of credit. The discrepancy is attributed to the "too big to fail" status of the banking subsidiaries. Of the eight affected entities, the three shown below are issuers of ERCOT letters of credit.

Entity	Type	Moody's	S&P	Fitch
Bank of America Corp	Holding Company	Baa1	BBB+	A
Bank of America NA	Financial Institution	A1	A	A+
Citigroup Inc.	Holding Company	Baa1	BBB+	A
Citibank NA	Financial Institution	A1	A	A+
Wells Fargo & Co	Holding Company	A2	A	AA-
Wells Fargo Bank NA	Financial Institution	Aa2	AA-	AA

Letter of Credit Issuer Limits

ERCOT computed the issuer limits and reviewed outstanding LCs for the six months ending February 29, 2016.

Summary Statistics

- Number of issuers: 24
- Minimum computed limit: \$49.8 million
- Issuers with limit at \$750 million cap: 3
- Minimum current excess capacity: \$47.8 million
- Maximum excess capacity: \$749.8 million
- LC issuances in violation of limits: 0
- New maximums set during the period: 11

Letter of Credit Issuer Limits

Detailed statistics

Letter of Credit Concentration Limits (\$ millions)

LC Issuer	Computed Issuer Lim	LCs Outstanding as of February 29, 2016	Excess Capacity as of February 29, 2016	% Current Excess / Limit	Maximum LCs Issued, September 2015 - February 2016	Limit o/(u) Maximum Issuance
BNP Paribas(GA)	\$734.5	\$96.4	\$638.1	87%	\$97.9	\$636.6
BOKF NA(FI)	\$16.5	\$0.2	\$16.3	99%	\$0.2	\$16.3
Bank of America NA(GA)	\$750.0	\$3.5	\$746.6	100%	\$5.5	\$744.6
Bank of Nova Scotia(FI)	\$263.7	\$46.4	\$217.4	82%	\$46.4	\$217.4
Bank of Tokyo-Mitsubishi UFJ, Ltd. New York Branch(FI)	\$718.9	\$27.0	\$691.9	96%	\$60.8	\$658.1
Barclays Bank PLC(FI)	\$659.3	\$138.0	\$521.3	79%	\$170.0	\$489.3
Canadian Imperial Bank(FI)	\$114.0	\$59.3	\$54.8	48%	\$59.3	\$54.8
Citibank NA(FI)	\$750.0	\$62.8	\$687.3	92%	\$125.8	\$624.3
Comerica Bank(FI)	\$49.8	\$2.0	\$47.8	96%	\$2.5	\$47.2
Cooperatieve Rabobank UA (FI)	\$373.7	\$0.0	\$373.7	100%	\$0.0	\$373.7
DNB Bank ASA(FI)	\$140.7	\$70.0	\$70.7	50%	\$90.0	\$50.7
Deutsche Bank(FI)	\$618.1	\$21.5	\$596.6	97%	\$32.9	\$585.2
HSBC Bank USA NA (FI)	\$145.8	\$30.0	\$115.8	79%	\$30.0	\$115.8
KeyBank National Association(FI)	\$65.8	\$0.0	\$65.8	100%	\$11.0	\$54.8
Lloyds Bank PLC (FI)	\$560.1	\$81.8	\$478.3	85%	\$82.8	\$477.3
MUFG Union Bank N.A.(FI)	\$90.4	\$13.0	\$77.4	86%	\$13.0	\$77.4
Mizuho Corporate Bank Ltd.(FI)	\$450.3	\$19.5	\$430.8	96%	\$19.5	\$430.8
Natixis(FI)	\$139.0	\$26.8	\$112.2	81%	\$85.8	\$53.2
PNC Bank NA(FI)	\$209.6	\$41.0	\$168.6	80%	\$41.0	\$168.6
Societe Generale(FI)	\$442.8	\$1.2	\$441.6	100%	\$1.2	\$441.6
Standard Chartered(FI)	\$329.9	\$0.0	\$329.9	100%	\$0.0	\$329.9
Sumitomo Mitsui Banking Corporation (FI)	\$531.6	\$30.0	\$501.6	94%	\$30.0	\$501.6
Toronto-Dominion Bank, The (FI)	\$319.4	\$30.0	\$289.4	91%	\$30.0	\$289.4
Wells Fargo(FI)	\$750.0	\$35.8	\$714.2	95%	\$66.3	\$683.7

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Questions