



## **Item 4: Periodic Report on Credit Work Group Activity**

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Chair, Credit Work Group

Finance & Audit Committee Meeting  
August 8, 2016  
ERCOT Public

# Credit Work Group Update – Reviewed NPRRs

- The Following NPRRs were Reviewed by CWG with Potential Credit Impact
  - NPRR760 Calculation of Exposure Variables for Days with No Activity - Approved
  - NPRR773 Broadening Scope of Acceptance Letter of Credit Issuers - Approved
- Other NPRRs Reviewed by CWG without Potential Credit Impact
  - NPRR696 Price Correction Process Following a SCED Failure
  - NPRR747 Revision of Voltage Control Requirements
  - NPRR770 Addition of Outaged Resource Capacity to Short-Term System Adequacy Report
  - NPRR771 Clarifications to new ESI ID Creation Process
  - NPRR778 Modifications to Date Change and Cancellation Evaluation Window
  - NPRR779 Clarifies References to Texas Reliability Entity and Independent Market Monitor
  - NPRR781 Updates to Nodal Protocol Section 18, Load Profiling, to Align with Current Market Processes
  - NPRR782 Settlement of Infeasible Ancillary Services Due to Transmission Constraints
  - NPRR785 Synchronizing WGR and PVGR COPs with the Short Term Wind and Photovoltaic Forecasts
  - NPRR786 Consumption of Data Adjustments for Negative Load
  - NPRR787 Removal of Recipient Name Requirement for VDI Confirmations

# Forward Pricing Credit Methodology Update

- Draft NPRR prepared by ERCOT and endorsed by CWG to incorporate Forward Pricing Credit Methodology:
  - Replaces current Seasonal Adjustment Factor (SAF) with Market Adjustment Factor (MAF)
  - Adds Real-Time Forward Adjustment Factor (RFAF) in the Minimum Current Exposure (MCE) and Estimate Aggregate Liability (EAL) calculation
  - Adds Day-Ahead Forward Adjustment Factor (DFAF) in the Estimate Aggregate Liability (EAL) calculation
  - A new report-Forward Adjustment Factors Summary Report will add to ERCOT MIS for daily posting
- Draft NPRR is in the process of completing internal ERCOT Market Rules / Legal Review and preparation of an Impact Analysis prior to review by PRS – targeted September 2016
- Recommendation from CWG for NPRR638 to be withdrawn by ERCOT in consideration of the newly submitted NPRR.

# Market Continuity Workshop - Credit Processes

- ERCOT held a workshop on May 2<sup>nd</sup> to discuss various topics related to recovery of ERCOT activities in the event of a significant market disruption.
- Issues addressed involve restarting the Real-Time Market (RTM) and Day-Ahead Market (DAM), credit policies, settlements during the interruption and restoration periods, and retail transaction processing.
- Identified credit issues relate to primarily to two areas:
  - Credit requirements / policies during an interruption and restoration related to provisions of unsecured credit, delay of invoice payments, and potential discretionary waivers of collateral calls.
  - Funding requirements to generation in the event that invoices are not prepared in a timely fashion. Would ERCOT provide temporary funding through a standby letter of credit? Would full payments be made or only make-whole costs?
- A follow-up workshop is scheduled for September 2016.

# Credit Work Group Update - Other Topics

- Review Market Participant Letter of Credit Binding Document
  - ERCOT has proposed changes to the Market Participant Letter of Credit Binding Document to incorporate changes required by NPRR773, Broadening Scope of Acceptable Letter of Credit Issuers, to reference an “Issuer” instead of “Issuing Bank.”
  - Proposed changes unanimously approved by CWG.
- Discussion of NPRR439, Updating a Counter-Party’s Available Credit Limit for Current Day DAM
  - ERCOT is preparing a Credit Monitoring and Management (CMM) technology refresh – targeted release date of September 2017.
  - NPRR439 – Board approved in 2012 and ‘grey boxed’ - is one of several NPRRs within the refresh scope which allows for current day updating of Market Participant credit limits relating to DAM participation.
  - In planning for the CMM technology refresh, ERCOT has discovered that there are significant credit and treasury operational impacts.
  - ERCOT is considering preparing an NPRR to remove the NPRR 439 ‘grey boxed’ language and submit it through the stakeholder process.

# Credit Work Group Update - Other Topics

- Full Day ERCOT Credit Management Training Course
  - ERCOT has developed a full day Credit Management training course.
  - Initial session in Austin (June 2016), future sessions in Arlington (August 2016) and Houston (October 2016).
  - Future plans to convert instructor live lead training into an on-line eLearning course.