**Credit Working Group**

**ERCOT**

**Meeting Minutes**

**January 18, 2017 (Face-to-Face Meeting, MET Center Room 168)**

**Attendance**

|  |  |
| --- | --- |
| Independent Retail Electric Providers | Bill Barnes – Reliant EnergyLoretto Martin - Direct Energy |
| Independent Power Marketers | Mark Holler – Tenaska Power Services Co. |
| Independent Generators | Michael Barberio – Exelon Generation Company LLC |
| Municipals | Donald Meek – Austin EnergyMichael Mathews - Bryan Texas UtilitiesSimon Castillo – CPS Energy  |
| Cooperatives | Khaki Bordovsky – Brazos ElectricRichard Ramirez - Lower Colorado River Authority |
| Others | Clayton GreerIan HaleyCasey McCowenMatt RobinsonSeth CochranTaylor Woodruff |  | Derenda PluckettShams SiddiqiBob HeltonKristy Ashley Josephine WanRyan Evans |
| ERCOT Staff | Vanessa SpellsRizaldy ZapantaSpoorthy Papudesi | Kelly LandrySean Chang |

The meeting was called to order at 9:30 a.m.

**Approval of Meeting Minutes – December 21, 2016**

Bill Barnes submitted a motion to approve the December 21, 2016 minutes. Donald Meek seconded the motion. Motion passed.

**NPRR 811 - Two Day Cure Period for Foreign Market Participant Guarantee Agreements**

Bob Helton presented to the group the draft of NPRR 811 and the arguments regarding extending the breach period by an additional day for entities that post a foreign guarantee.

Vanessa Spells reiterated ERCOT staff’s comment that the NPRR could lead to unequal credit terms for Market Participants based solely on the form of collateral they elect to post. Also, extending the allowable cure period could increase exposure risk for the market as a whole as it may provide incentive for a market participant to obtain a *de minimus* foreign guarantee and post an alternative form of collateral for the remainder to avail of a longer cure period. Mark Holler commented that the reduction of the cure period to one day was a commitment made by ERCOT as part of the regulatory exemption from the Commodities and Futures Trade Commission (CFTC) several years ago.

Mr. Helton will ask PRS to table the NPRR in their next meeting.

**SCR 785**

Ms. Spells informed the group that SCR 785, which incorporates the impact of the Real Time Reserve Price Adder Based on Operating Reserve Demand Curve (ORDC) into exposure calculations, was previously approved but implementation was set aside until it could be effectively combined with another project. Ms. Spells explained that SCR 785 cannot be integrated with the current CMM Tech Refresh project since the latter does not cover upstream systems from which ORDC information will be sourced from. ERCOT staff therefore recommends withdrawing SCR 785 given the minimal benefits that can be derived versus the cost of implementing the change.

The group agreed that the benefits are minimal and asked ERCOT staff to file a withdrawal of SCR 785. Mr. Barnes will inform the PRS that ERCOT staff and the group agreed to withdraw SCR 785.

**CWG/MCWG Leadership Update**

Ms. Spells thanked the group and the officers for their work in 2016 and informed the group that the following were re-elected as officers:

Donald Meek – CWG Chair

Loretto Martin – CWG Vice Chair

Bill Barnes – MCWG Chair

Josephine Wan – MCWG Vice Chair

ERCOT staff will submit to F&A and WMS committees for confirmation.

**Review of CWG Charter**

Ms. Spells presented to the group the current CWG Charter for a periodic annual review. Mr. Meek submitted a motion that the group has reviewed and re-adopts the Charter as currently exists for 2017. Michael Mathews seconded the motion. Motion approved.

**2017 CWG/MCWG Meeting Dates**

Ms. Spells informed the group that CWG/MCWG meetings are on the third Wednesday of each month except for two months due to unavailability of meeting rooms. She provided the group a listing of the meeting dates for 2017.

**Seasonal Adjustment Factor**

Ms. Spells presented to the group the supporting analysis for the determination of the Seasonal Adjustment Factor (SAF) for 2017. Based on the analysis, the following were the proposed factors:

|  |  |
| --- | --- |
| **Effective Date** | **2017 Proposed** |
| 1-Jun | 110% |
| 1-Jul | 125% |
| 1-Aug | 200% |
| 1-Sep | 100% |

Mr. Barnes submitted a motion to endorse the proposed SAF for 2017. Michael Mathews seconded the motion. Motion passed.

**Credit Exposure and Loss Given Default**

Spoorthy Papudesi presented to the group the bi-monthly Credit Exposure and Expected Loss update. The group recommended removing the average expected loss distribution columns in the summary statistics as these may be misrepresented as default losses in the ERCOT market. The group also asked if it was necessary to continue the report and instead focus on developing an internal model to estimate default losses. Mr. Meek said that the update was requested by the F&A Committee to which this report was also being presented. Ms. Spells added that ERCOT staff resources are currently constrained due to the CMM Tech Refresh project. She also mentioned that ERCOT staff explored several years ago contracting Oliver Wyman to develop an internal model but it was deemed too costly at the time.

**2017 CWG/MCWG Goals**

Mr. Meek presented a proposed list of goals for 2017 for the group’s review. The group will look into possibly including the development of an internal exposure model as part of the 2017 goals. This will be further discussed in the next meeting.

**Credit Updates**

Ms. Spells updated the group on recent developments and credit items for the February F&A meeting.

The meeting was adjourned at 11:05 a.m.