**Credit Working Group**

**ERCOT**

**Meeting Minutes**

**July 18, 2018 (Face-to-Face Meeting, MET Center Room 206)**

**Attendance**

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| --- | --- |
| Independent Retail Electric Providers | Bill Barnes - Reliant Energy |
| Independent Power Marketers | Mark Holler - Tenaska Power Inc.Eric Goff - Citigroup Energy Inc. |
| Independent Generators | Ian Haley– Luminant Energy |
| Investor Owned Utilities | Nick Bulter - American Electric Power |
| Municipals | Donald Meek – Austin EnergyDon Daugherty - City of Garland |
| Others | Andrew BarkleyLiz KayserBen HaguewoodKristin AbbottKristy AshleyTony MarshRyan EvansShreenath PatelCliff CrouchBrenden SagerLindsey HughesJosephine WanDennis Holbrook |  | John LaicoKevin BunchMatt RobsonDiana ColemanCody SchwertnerDaniel HassouniMichael RosenbergBob WittmeyerEugene FrancoDavid DetelichPatrick HigginsBrandon WhittleYair Werner |
| ERCOT Staff | Mark RuaneVanessa SpellsSpoorthy PapudesiRizaldy ZapantaMaruthi Gaddam | Julio DovalinaCory PhillipsJuliana MoreheadRob OrrSuzy Clifton |

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

**Approval of Meeting Minutes – June 20, 2018**

Bill Barnes submitted a motion to approve the June 20, 2018 minutes. Donald Meek seconded the motion. Motion passed.

**NPRR 850 Market Suspension and Restart**

The group reviewed ERCOT’s comments and other proposed changes on NPRR 850. The group will further review in the next meeting.

**Review Credit Parameters**

The group agreed to review the credit parameters after summer or in September when more information is available. The group also asked ERCOT staff to review the assumed ESI IDs transaction limit of 100,000 per day used in the M1b calculation.

**Credit Updates**

Spoorthy Papudesi presented to the group the credit exposure update and the result of stress tests/scenarios on the impact of RFAF and DFAF on market-wide exposure using August 2011 ICE prices. Mark Ruane informed the group that the recent spike in ICE prices resulted in the RFAF to reach over seven and DFAF to over six. This resulted in collateral requests to 45 counter-parties on one day and market-wide TPE reaching over $2.2 billion.

**Letter of Credit Concentration**

The group reviewed the proposed options on handling letter of credit concentration when an issuer limit is exceeded following a ratings downgrade. Group members favored the third option of rejecting new letters of credit and amendments based on the order the letters of credit were received and giving four months to process the reduction to the limit. The group also asked ERCOT staff to review the metrics used in calculating the issuer limits. On the notices to market participants when an issuer limit is exceeded, the group proposed that ERCOT review the language to avoid any confusion, particularly when the issuing financial institution is or has a related entity as an ERCOT market participant.

**Review Credit Limit for Surety Bonds**

Pat McKinnon of Euler Hermes Energy presented to the group the basics of surety bonds and how they are currently being used in ERCOT and other ISOs. Mr. McKinnon pointed out that the main concern for surety bonds as they are currently structured and used in ERCOT are the limits per entity and surety as well as the payout trigger and timing.

The group reviewed the surety bond limits and asked ERCOT staff to provide a comparative timeline for LCs and surety bond drawdown and the impact of such on uplifts. The group also asked ERCOT staff to look into whether surety bonds can be subjected to the same ratings-based limits as letters of credit.

The meeting was adjourned at 12:18 p.m.