



Item 7: Letter of Credit Issuer Limits

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Finance & Audit Committee Meeting

ERCOT Public

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Letter of Credit Issuer Limits

- Protocol Section 16.11.3, Alternative Means of Satisfying ERCOT Creditworthiness Requirements, incorporates letter of credit (LC) issuer limits determined by the long-term issuer rating and the Tangible Net Worth of the Issuer.
- Protocol Section 16.11.3 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 16.11.3, 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

ERCOT computed the issuer limits and reviewed outstanding LCs for the six months ending August 31, 2018 and February 28, 2018.

Summary Statistics	Six months ending		Change
	8/31/2018	2/28/2018	
Number of issuers	27	24	3
Minimum computed limit	\$19.2m	\$17.5m	\$1.7m
Issuers with limit at \$750m cap	5	4	1
Minimum current excess capacity	\$19.0m	\$12.2m	\$6.8m
Maximum excess capacity	\$673.8m	\$730.0m	(\$56.2m)
LC issuance in excess of limits	3	0	3

Letter of Credit Issuer Limits

Letter of Credit Concentration Limits (\$ millions)

LC Issuer	Computed Issuer Limit	LCs Outstanding as of August 31, 2018	Excess Capacity as of August 31, 2018	% Current Excess / Limit	Maximum LCs Issued, March 2018 - August 2018	Average LCs Issued, March 2018 - August 2018
Bank of America NA	750.00	305.90	444.10	59%	417.90	157.52
Bank of Nova Scotia	315.87	88.65	227.22	72%	258.65	86.61
Bank of Tokyo-Mitsubishi UFJ, Ltd. New York Branch	750.00	76.22	673.78	90%	221.22	154.82
Barclays Bank PLC	617.18	110.50	506.68	82%	195.00	130.82
BNP Paribas	750.00	234.05	515.95	69%	525.45	161.57
BOKF NA	19.24	0.20	19.04	99%	0.20	0.20
Canadian Imperial Bank	156.13	10.46	145.68	93%	39.46	18.50
Citibank NA	750.00	78.00	672.00	90%	124.10	59.36
CoBank ACB	77.01	35.00	42.01	55%	35.00	35.00
Comerica Bank	50.30	2.20	48.10	96%	2.20	2.16
Cooperatieve Rabobank U.A.	383.95	0.20	383.75	100%	0.20	0.20
Credit Agricole Corporate & Investment Bank SA	170.42	0.00	170.42	100%	0.00	0.00
Credit Suisse AG	295.89	36.10	259.79	88%	50.60	30.68
DNB Bank ASA	172.57	150.00	22.57	13%	150.00	150.00
KeyBank National Association	90.65	15.00	75.65	83%	15.00	14.77
Lloyds Bank PLC	515.81	89.80	426.00	83%	159.80	97.07
Mizuho Corporate Bank Ltd.	462.01	244.45	217.56	47%	294.55	172.17
Morgan Stanley Bank, N.A.	121.03	20.00	101.03	83%	300.50	45.30
MUFG Union Bank N.A.	103.30	8.00	95.30	92%	8.00	8.00
Natixis	139.40	83.60	55.80	40%	281.00	109.53
PNC Bank NA	214.85	42.75	172.10	80%	42.75	41.66
Royal Bank of Canada	407.15	0.00	407.15	100%	0.00	0.00
Societe Generale	472.87	137.50	335.37	71%	187.50	119.68
Sumitomo Mitsui Banking Corporation.	580.63	18.00	562.63	97%	20.50	4.38
Toronto-Dominion Bank, The	386.83	10.00	376.83	97%	10.00	10.00
US Bank	304.41	12.00	292.41	96%	12.00	11.38
Wells Fargo	750.00	117.30	632.70	84%	123.30	81.21
		1925.87				

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Questions