



Item 5: Letter of Credit Issuer Limits

Mark Ruane

Director, Settlements, Retail and Credit

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, 2019

Summary Statistics	Six months ending		Change
	2/28/2019	8/31/2019	
Number of issuers	28	32	4
Minimum computed limit	\$19.2m	\$19.1m	- \$.1m
Issuers with limit at \$750m cap	5	5	-
Minimum current excess capacity	\$19.0m	-\$7.1m	-\$ 26.1m
Maximum excess capacity	\$717.0m	\$642.7m	-\$74.3m
LC issuance in excess of limits	0	1	1

Letter of Credit Concentration Limits (\$ millions)

LC Issuer	Computed Issuer Limit	LCs Outstanding as of August 31, 2019	Excess Capacity as of August 31, 2019	% Current Excess / Limit	Maximum LCs Issued, March 2019 - August 2019	Average LCs Issued, March 2019 - August 2019
Bank of America NA	750.00	318.30	431.70	58%	328.30	187.86
Bank of Nova Scotia	288.85	21.15	267.70	93%	83.65	36.39
Bank of Tokyo-Mitsubishi UFJ, Ltd. New York Branch	750.00	147.92	602.08	80%	278.92	69.71
Barclays Bank PLC	443.39	24.50	418.89	94%	25.50	24.88
BNP Paribas	750.00	251.30	498.70	66%	504.10	216.43
BOKF NA	19.14	0.20	18.94	99%	0.20	0.20
Canadian Imperial Bank	177.22	11.94	165.29	93%	15.94	8.59
Citibank NA	750.00	153.96	596.04	79%	338.00	67.22
CoBank ACB	81.05	35.00	46.05	57%	35.00	35.00
Comerica Bank	50.03	2.20	47.83	96%	2.20	2.20
Cooperatieve Rabobank U.A.	391.67	0.20	391.46	100%	0.20	0.20
Credit Agricole Corporate & Investment Bank SA	173.91	0.00	173.91	100%	0.00	0.00
Credit Industriel et Commercial	135.92	12.00	123.92	91%	12.00	4.31
Credit Suisse AG	333.91	72.00	261.91	78%	112.00	80.24
DNB Bank ASA	170.13	147.00	23.13	14%	182.00	130.76
Frost Bank	21.59	0.00	21.59	100%	0.00	0.00
Goldman Sachs Bank USA	221.22	23.50	197.72	89%	23.50	23.50
HSBC Bank USA NA	187.70	0.75	186.95	100%	0.75	0.75
KeyBank National Association	93.65	15.00	78.65	84%	15.00	12.59
Lloyds Bank PLC	372.02	297.80	74.22	20%	315.80	152.85
Mizuho Corporate Bank Ltd.	507.59	129.55	378.04	74%	129.55	106.89
Morgan Stanley Bank, N.A.	121.78	0.00	121.78	100%	200.00	6.20
MUFG Union Bank N.A.	94.61	0.00	94.61	100%	8.00	7.47
National Australia Bank Limited	288.51	85.00	203.51	71%	85.00	85.00
Natixis	141.47	148.55	-7.07	-5%	330.33	101.55
PNC Bank NA	223.71	13.95	209.76	94%	13.95	13.95
Royal Bank of Canada	438.01	0.00	438.01	100%	0.00	0.00
Societe Generale	465.32	205.00	260.32	56%	205.00	110.71
Sumitomo Mitsui Banking Corporation.	580.63	23.00	557.63	96%	24.70	21.26
Toronto-Dominion Bank, The	410.75	2.48	408.28	99%	10.00	1.79
US Bank	313.49	12.00	301.49	96%	12.00	12.00
Wells Fargo	750.00	107.30	642.70	0.86	107.30	72.88
		2,261.53				

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Questions