**Credit Working Group**

**ERCOT**

**Meeting Minutes**

**June 17, 2020 (Webex Meeting)**

**Attendance**

|  |  |
| --- | --- |
| Independent Retail Electric Providers | Bill Barnes - Reliant Energy |
| Independent Power Marketers | Mark Holler - Tenaska Power Inc. |
| Independent Generators  | Ian Haley - Luminant Generation |
| Investor Owned Utilities | Deborah McKeever – Oncor |
| Municipals | Michael Mathews - Bryan Texas Utilities |
| Others | Bob WittmeyerLoretto MartinBrenden SagerSeth CochranDarice RidgeKevin BunchMatt RobsonSeth CochranRon McNamara |  | Ryan EvansSandy MorrisTony MarshKristy AshleyShawnee Claiborn-PintoEvan TruittPaige WinegarTru Robertson |
| ERCOT Staff | Mark RuaneVanessa SpellsSpoorthy PapudesiRizaldy ZapantaJulio DovalinaMaruthi GaddamCory PhillipsGibson Hull | Ino GonzalezJuliana MoreheadPamela ShawOhlen DinopolDonald HouseRandy RobertsSamantha FindleyVicki Scott |

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

**Approval of Meeting Minutes – May 19, 2020**

Bill Barnes submitted a motion to approve the May 19, 2020 minutes. ­ Loretto Martin seconded the motion. Motion passed.

**NPRRs for Review**

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| --- | --- |
| NPRR 984 | Change ERS Standard Contract Terms |
| NPRR 996 | Alignment of Hub Bus Names Between Protocols and ERCOT Model |
| NPRR 1002 | BESTF-5 Energy Storage Resource Single Model Registration and Charging Restrictions in Emergency Conditions |
| NPRR 1003 | Elimination of References to Resource Asset Registration Form |
| NPRR 1004 | Load Distribution Factor Process Update |
| NPRR 1016 | Clarify Requirements for Distribution Generation Resources (DGRs) and Distribution Energy Storage Resources (DESRs) |

Mark Holler submitted a motion that NPRRs are operational and have no credit implications. Mr. Barnes seconded the motion. Motion passed.

**Late Payment Enforcement Provisions**

Mark Ruane presented revisions to the proposed changes in Late Payment enforcement provisions and the draft NPRR. The group noted there was minimal difference between Level II and Level I Enforcement and suggested incorporating a requirement to post cash for a certain portion of exposure. Mr. Holler also suggested allowing retention of Letter of Credit postings under Level II Enforcement to mitigate risks of default. Once the revisions are made, ERCOT will post the NPRR.

**Software Error Identified in CMM**

Vanessa Spells informed the group of the software error identified in CMM regarding the RTLF (Real-Time Liability Forward) component of the EAL that occurred with the implementation of NPRR 347 in November 2012. Ms. Spells noted that the error impacting RTLF was likely not a material driver of total TPE from January 2019 onwards since the maximum of RTLE would likely have exceeded the corrected RTLF. Ms. Spells also informed the group that a software fix was implemented last June 4 to correct the error.

**Modifications to the Settlement Timeline**

Ohlen Dinopol provided updates regarding the details of the settlement timelines of other ISOs and how those compare with ERCOT’s timelines. Mr. Barnes noted that the collateral reduction benefits of reducing the settlement timeline vis-à-vis the risks and costs of shortening the timeline are minimal.

Ron McNamara informed the group that he made a comparative analysis of ERCOT’s collateral requirements versus that of other ISOs. He noted there were significant differences and suggested possibly standardizing collateral requirements with that of other ISOs. Mr. McNamara offered to present his study to the group in the next meeting.

**Counter-Party Credit Risk Assessment**

Mr. Ruane presented a proposal to use a credit scoring model for Counter-Party credit risk assessment which is among several proposals outlined in the workshop last May on Proposed Qualifications and Requirements for Market Entry and Continued Participation by ERCOT Counter-Parties. Mr. Ruane presented the past credit scoring model initiatives from 2008 and 2014 and an Excel-optimized solution based on those models. He noted that as the scoring framework is advanced, ERCOT would consider applying it within the new market entry framework for granting unsecured credit, assessing credit risks and determining collateral requirements. The group agreed to proceed with the initiative as it noted the importance of credit risk assessment and the use of a scoring model.

**ERCOT Updates**

Spoorthy Papudesi presented the monthly update on credit exposure.

**New Business**

Ms. Spells reminded members to submit their unaudited financials for the 1st Quarter 2020 which were due last May 31.

The meeting was adjourned at 11:20 a.m.