



Item 2: Periodic Report on Credit Work Group Activity

Mark Holler

Chair, Credit Work Group

Urgent Finance & Audit Committee Meeting

ERCOT Public

October 12, 2020

Reviewed NPRRs

- **Total NPRRs Reviewed**
 - 15
- **One NPRR Reviewed With Credit Impact**
 - NPRR 1036 – Late Payment Enforcement Provisions
 - This Nodal Protocol Revision Request (NPRR) clarifies certain processes associated with “Late Payments” and “Payment Breaches” and aligns Protocol language in Section 16, Registration and Qualification of Market Participants, with language in the Standard Form Market Participant Agreement.



CWG Discussion Items

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- Real-Time Co-Optimization NPRRs
 - Matt Mereness provided an update on Real-Time Co-optimization (RTC) efforts as well as the RTC Revision Requests review schedule. He asked the group's assistance to review the NPRRs and identify any potential impacts to credit.
 - Vanessa Spells presented to the group the list of the NPRRs under RTC. She also informed the group that ERCOT staff has identified the credit impact of the introduction of Ancillary Services offers which would result in a change in MCE and RTLCNS.
 - The CWG members have been asked to review the NPRRs and provide any comments by the October meeting for a possible vote.

CWG Discussion Items

- **Counter-Party Credit Risk Assessment**
 - Mark Ruane informed the group that ERCOT staff has updated its assessment of various scoring models including that of MISO and Moody's Risk Calc. He presented to the group the re-optimized results of the MISO model which shows segment scores that better aligned with ERCOT model results.
 - ERCOT presented for the group's review a draft of the NPRR on Credit Risk Assessment and Associated Enforcement showing the changes to Section 16.11.1. The group agreed to further discuss and review the NPRR in the next several meetings.
- **Forward Adjustment Factors**
 - The CWG continues to review the effectiveness of the current weighting factors used to calculate the Real-Time and Day-Ahead Forward Adjustment Factors. The group determined to wait until the October CWG meeting so that the 2020 summer results could be included in the analysis.

CWG Discussion Items

- CRR Credit Lock Process
 - The group discussed some potential issues with the timing around the release of credit locked for CRR Auctions and when the invoices are included in the requirements. After review it was determined that this was a reporting issue and should not impact available credit for participation in the market.
- Settlement Timeline Revisions
 - After a thorough review, the CWG determined that the current timeline provides an appropriate balance of data accuracy and timeliness and does not recommend any changes.

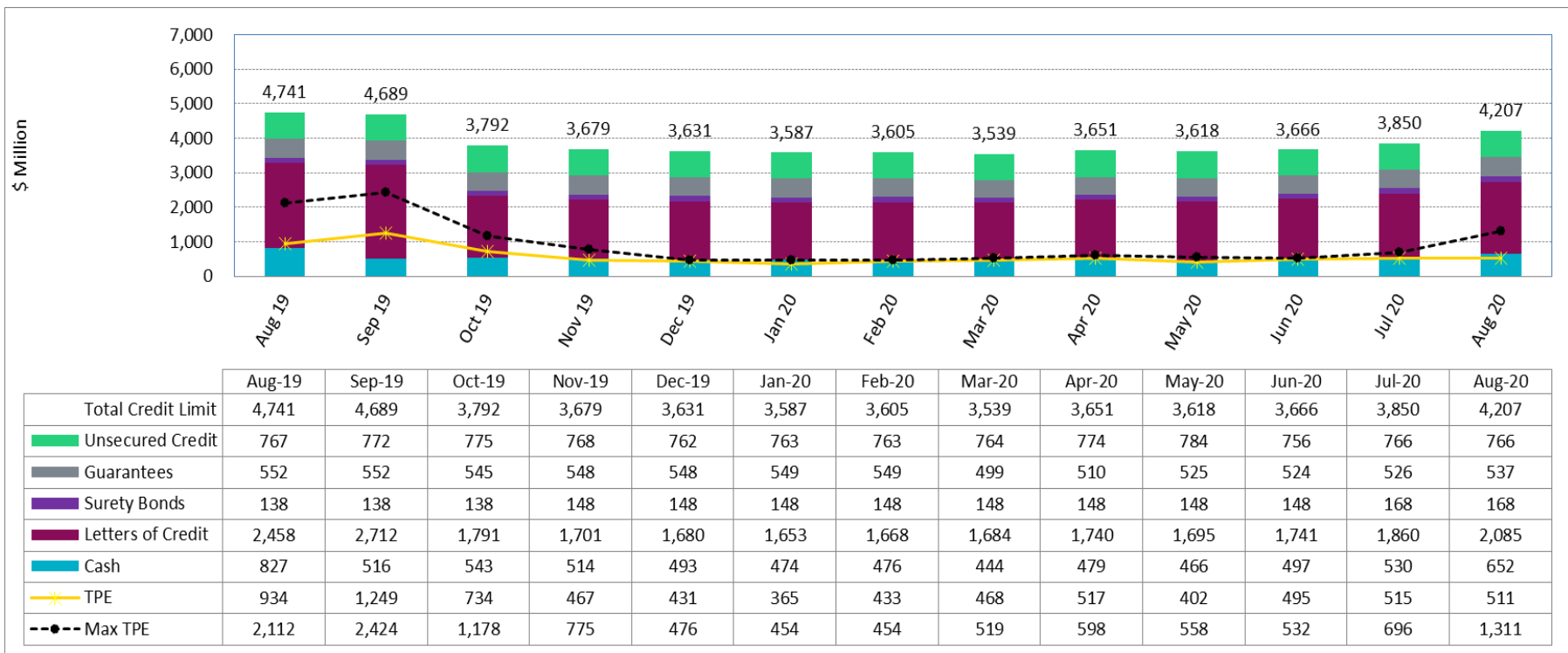


ERCOT Credit Highlights and Statistics

Monthly Highlights Jul 2020 - Aug 2020

- Market-wide average TPE increased from \$ 544.53 million to \$ 690.79 million
 - TPE increased mainly due to higher Real-Time and Day-Ahead Settlement Point Prices in August compared to July
- Discretionary Collateral is defined as Secured Collateral in excess of TPE, CRR Locked ACL and DAM Exposure
 - Average Discretionary Collateral increased from \$ 1,422.18 million to \$1,552.18 million
 - The increase in Discretionary Collateral is largely due to increase in Secured Collateral.
- Number of active Counter-Parties decreased by 1
- No unusual collateral call activity

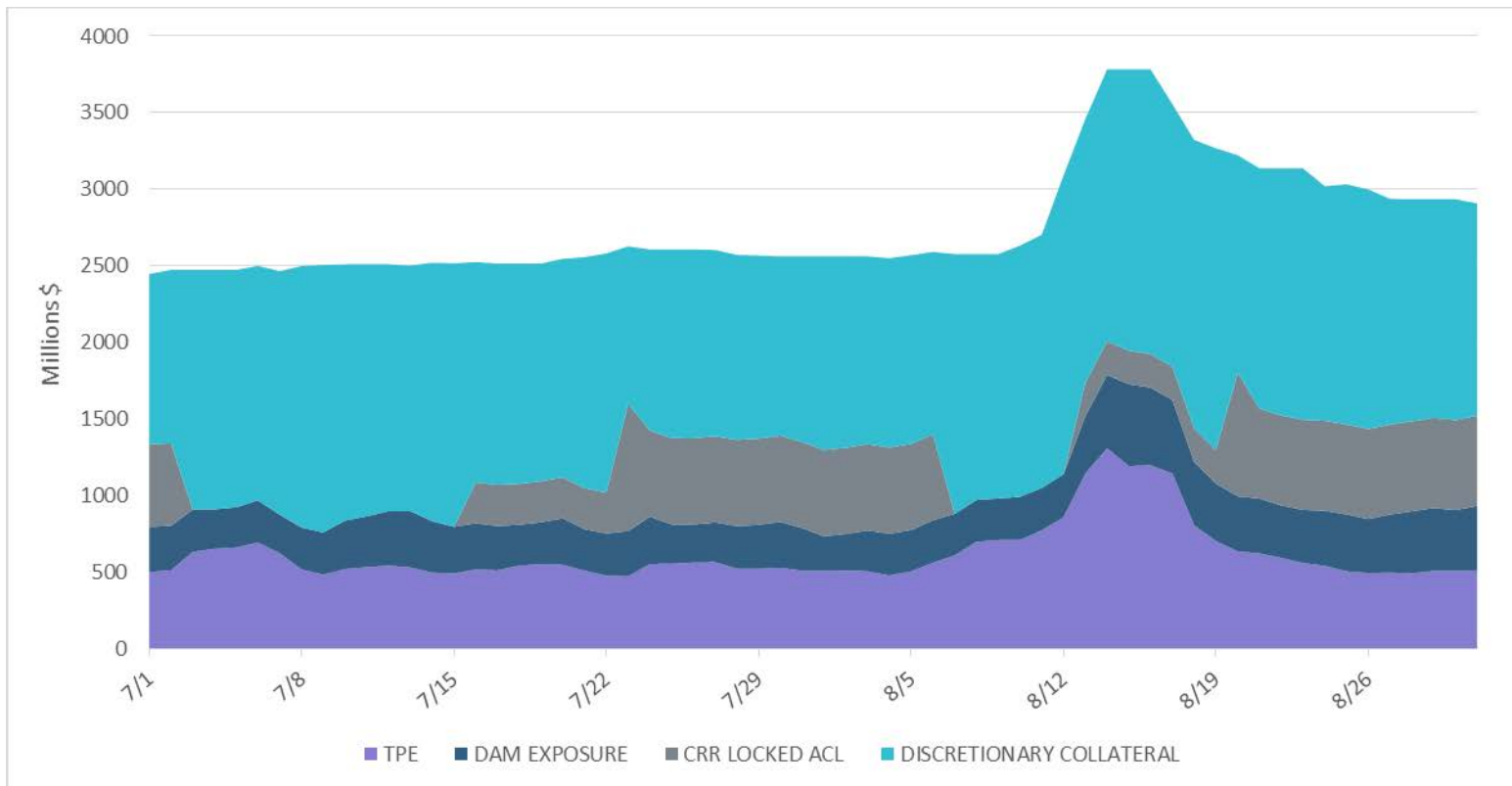
Available Credit by Type Compared to Total Potential Exposure (TPE)



* Numbers are as of month-end except for Max TPE

Discretionary Collateral Jul 2020 - Aug 2020

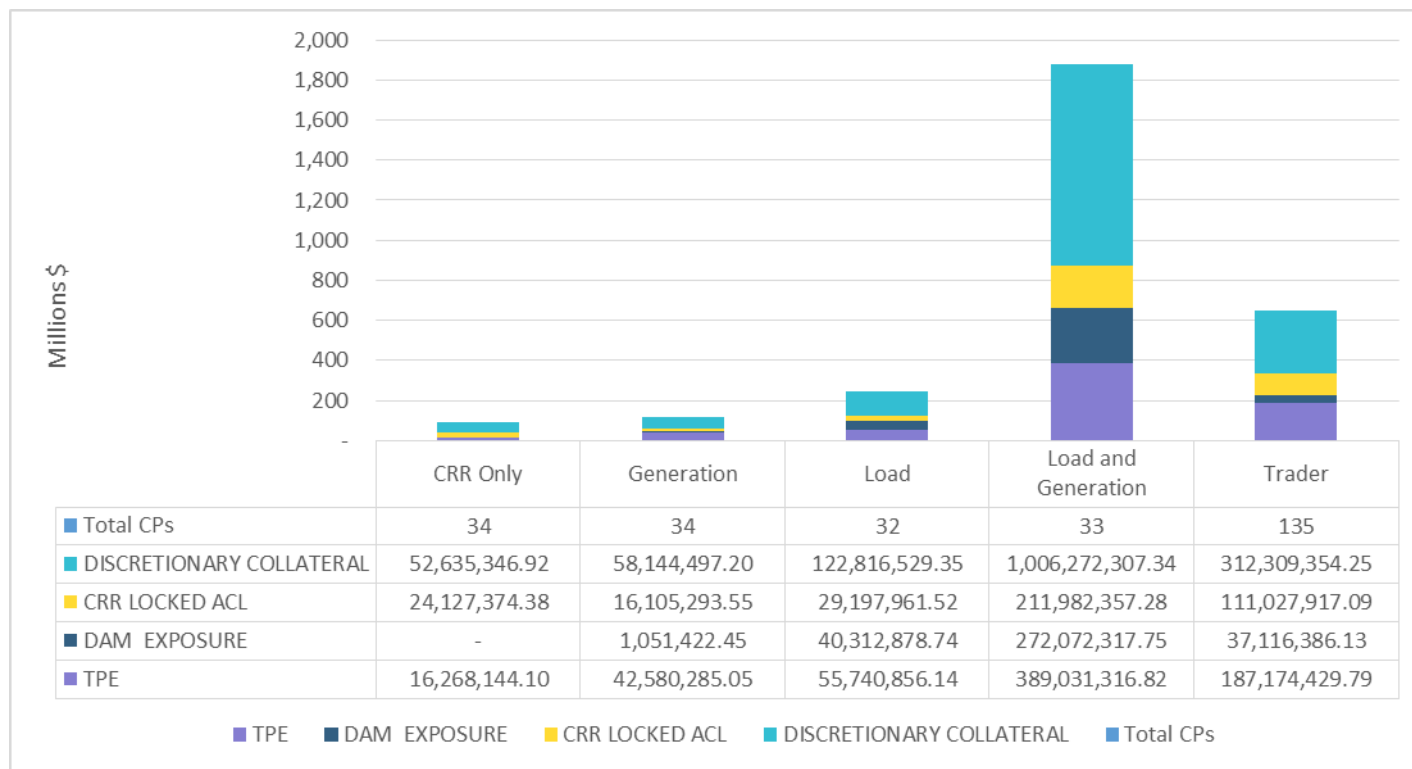
At a Counter-Party level, no unusual changes were noted



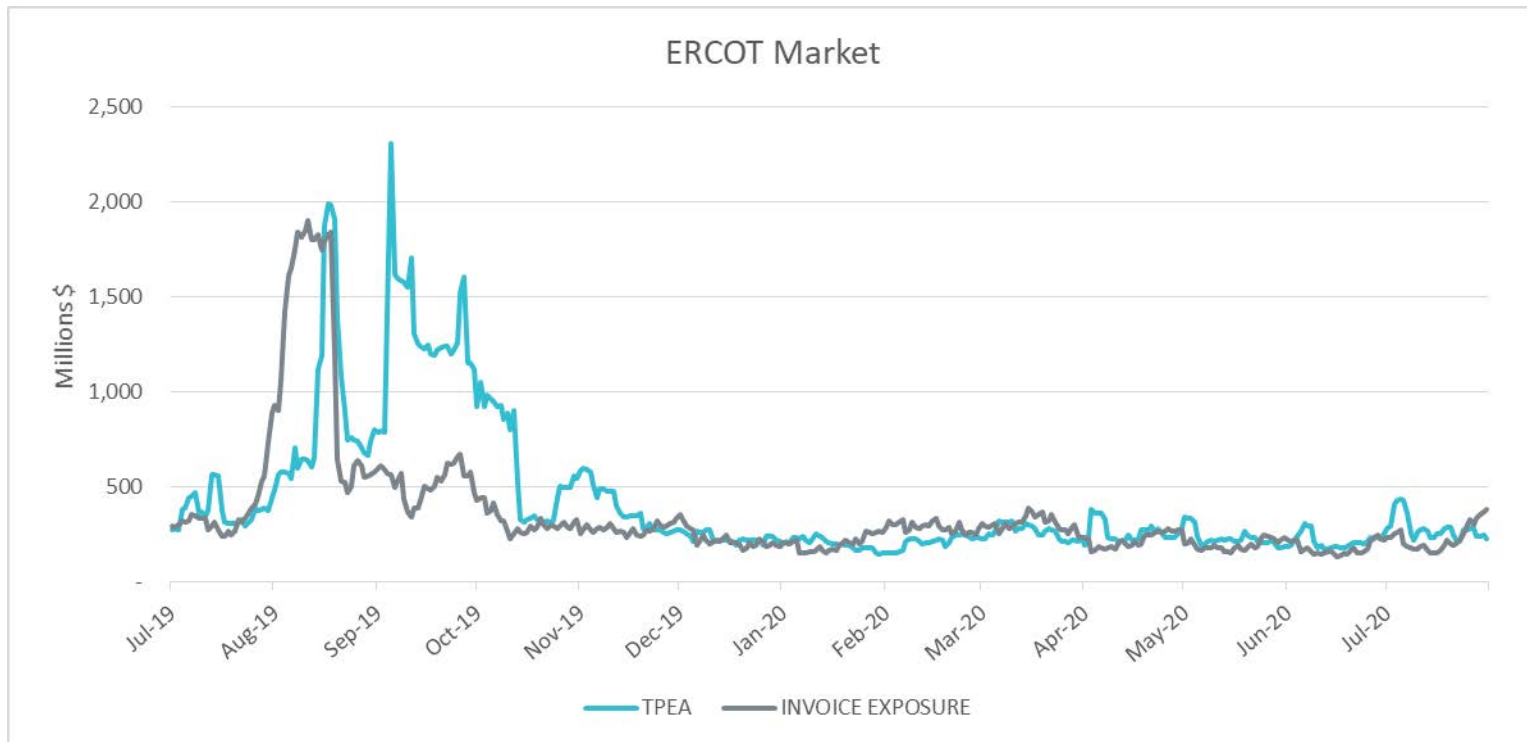
Note: Discretionary collateral doesn't include Unsecured Credit Limit or parent guarantees

TPE and Discretionary Collateral by Market Segment - Aug 2020

Load and Generation entities accounted for the largest portion of discretionary collateral

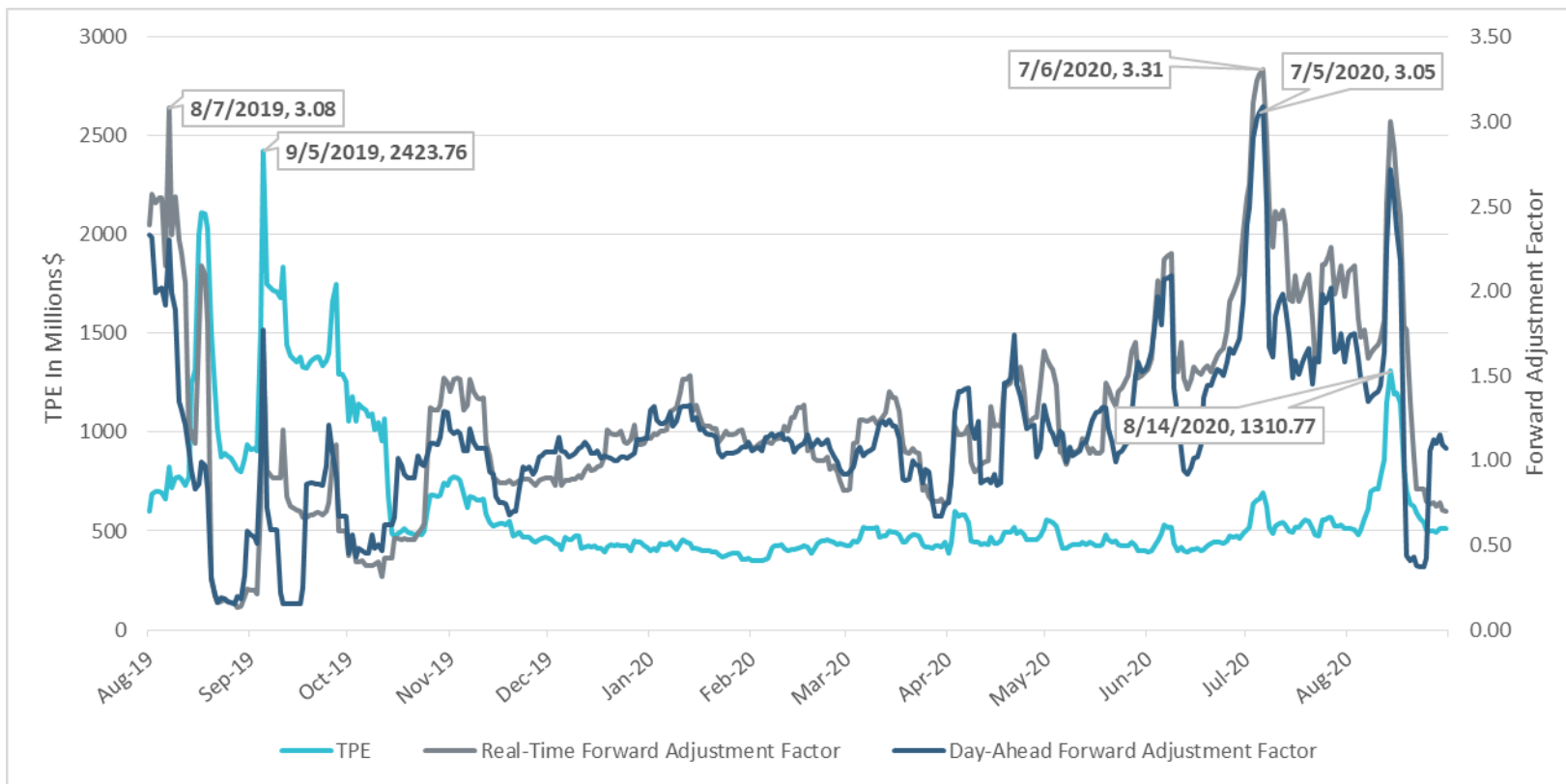


TPE Coverage of Settlements Jul 2019 - Jul 2020



TPEA closely approximates actual/invoice exposure during winter and shoulder months

TPE and Forward Adjustment Factors Aug 2019 - Aug 2020



Summary of Distribution by Rating Group

Rating Group	Counter-Party Distribution			Average TPE Distribution			Average Excess Collateral		
	Jul-20	Aug-20	Change	Jul-20	Aug-20	Change	Jul-20	Aug-20	Change
AAA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AA- to AA+	4.46%	4.48%	0.02%	2.27%	3.23%	0.96%	2.23%	2.45%	0.22%
A- to A+	6.69%	7.09%	0.40%	6.10%	8.18%	2.08%	12.17%	11.40%	-0.77%
BBB- to BBB+	13.01%	13.06%	0.05%	27.73%	24.40%	-3.33%	36.60%	36.49%	-0.11%
Investment Grade	24.16%	24.63%	0.46%	36.10%	35.81%	-0.29%	51.00%	50.34%	-0.67%
BB- to BB+	4.46%	4.48%	0.02%	28.76%	31.03%	2.27%	15.56%	15.21%	-0.36%
B- to B+	1.49%	1.12%	-0.37%	1.07%	2.78%	1.70%	1.54%	2.40%	0.87%
CCC+ and below	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Not Rated	69.89%	69.78%	-0.11%	34.07%	30.38%	-3.69%	31.90%	32.05%	0.16%
Non-investment Grade	75.84%	75.37%	-0.46%	63.90%	64.19%	0.29%	49.00%	49.66%	0.67%

Distribution of TPE by Rating and Category

Rating Group	CRR Only	Generation Only	Load Only	Load and Generation	Trader	Total TPE	Percent TPE
AAA	0	0	0	0	0	0	0.00%
AA- to AA+	1,331,095	0	0	20,965,839	40,500	22,337,434	3.23%
A- to A+	293	22,951	9,538,822	39,947,479	6,972,038	56,481,582	8.18%
BBB- to BBB+	1,736,482	4,506,513	12,293,543	96,202,234	53,844,506	168,583,278	24.40%
Investment Grade	3,067,870	4,529,464	21,832,365	157,115,552	60,857,044	247,402,295	35.81%
BB- to BB+	0	34,367,906	6,421,858	120,887,799	52,700,502	214,378,064	31.03%
B- to B+	0	0	0	15,040,312	4,139,486	19,179,798	2.78%
CCC+ and below	0	0	0	0	0	0	0.00%
Not Rated	13,200,274	3,682,915	27,486,633	95,987,654	69,477,399	209,834,875	30.38%
Non-Investment Grade	13,200,274	38,050,821	33,908,491	231,915,765	126,317,386	443,392,737	64.19%
Total TPE	16,268,144	42,580,285	55,740,856	389,031,317	187,174,430	690,795,032	100.00%
Percent TPE	2.35%	6.16%	8.07%	56.32%	27.10%	100.00%	

Distribution of Excess Collateral by Rating and Category

Rating Group	CRR Only	Generation Only	Load Only	Load and Generation	Trader	Excess Collateral	Percent Excess Collateral
AAA	0	0	0	0	0	0	0.00%
AA- to AA+	6,100,055	0	0	61,151,290	1,959,544	69,210,889	2.45%
A- to A+	118,451	4,168,725	59,295,566	195,356,374	63,513,013	322,452,129	11.40%
BBB- to BBB+	21,583,360	33,086,243	85,565,474	702,065,969	189,476,608	1,031,777,654	36.49%
Investment Grade	27,801,866	37,254,969	144,861,040	958,573,633	254,949,164	1,423,440,672	50.34%
BB- to BB+	0	45,294,101	43,462,429	303,810,752	37,503,229	430,070,510	15.21%
B- to B+	0	0	0	62,101,002	5,828,259	67,929,261	2.40%
CCC+ and below	0	0	0	0	0	0	0.00%
Not Rated	52,001,355	13,252,144	96,275,030	383,421,322	361,500,676	906,450,527	32.05%
Non-Investment Grade	52,001,355	58,546,244	139,737,459	749,333,076	404,832,164	1,404,450,298	49.66%
Total Excess Collateral	79,803,221	95,801,213	284,598,499	1,707,906,709	659,781,328	2,827,890,970	100.00%
Percent Excess Collateral	2.82%	3.39%	10.06%	60.40%	23.33%	100.00%	

Note: Excess collateral doesn't include Unsecured Credit Limit



Questions?