



Item 10: Periodic Report on Credit Work Group Activity

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Chair, Credit Work Group

Urgent Finance & Audit Committee Meeting

February 8, 2021

ERCOT Public

Reviewed NPRRs

- **Total NPRRs Reviewed**
 - 8 (Excluding RTC NPRRs)
- **NPRRs Reviewed With Credit Impact**
 - None



CWG Discussion Items

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2021 Credit Working Group Goals

- Review the ongoing impact on Market Participant credit exposure and collateral requirements resulting from the incorporation of a forward price curve-based methodology
- Clarify the market's risk tolerance/appetite level and provide regular updates on credit exposure to the ERCOT Board
- Evaluate and quantify potential market risk under current credit rules and review rules in flight
- Effectively communicate credit risk to the market
- Examine current Protocol language to determine how effectively current calculations capture actual credit risk
- Review proposed credit assessment methodology and provide guidance to ERCOT

CWG Discussion Items

- Review of Credit Work Group Charter
- DAM/CRR Credit Exposure – The CWG reviewed a proposal from STEC to change DAM credit calculations for CRRs settled in DAM. Group will continue to review proposal – need additional analysis from ERCOT before a decision can be made.

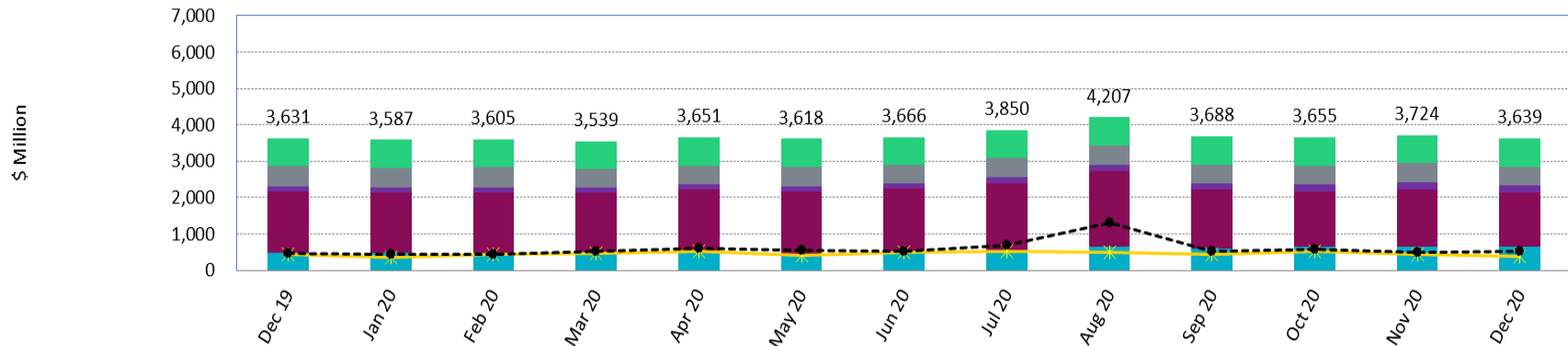


ERCOT Credit Highlights and Statistics

Monthly Highlights Nov 2020 - Dec 2020

- Market-wide average TPE increased from \$ 416.58 million to \$ 433.07 million
 - TPE increased mainly due to higher Forward Adjustment Factors in December compared to November
- Discretionary Collateral is defined as Secured Collateral in excess of TPE, CRR Locked ACL and DAM Exposure
 - Average Discretionary Collateral slightly increased from \$ 1,239.7 million to \$1,241.2 million
 - The increase in Discretionary Collateral is largely due to decrease in CRR Locked ACL.
- Number of active Counter-Parties increased by 3
- No unusual collateral call activity

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



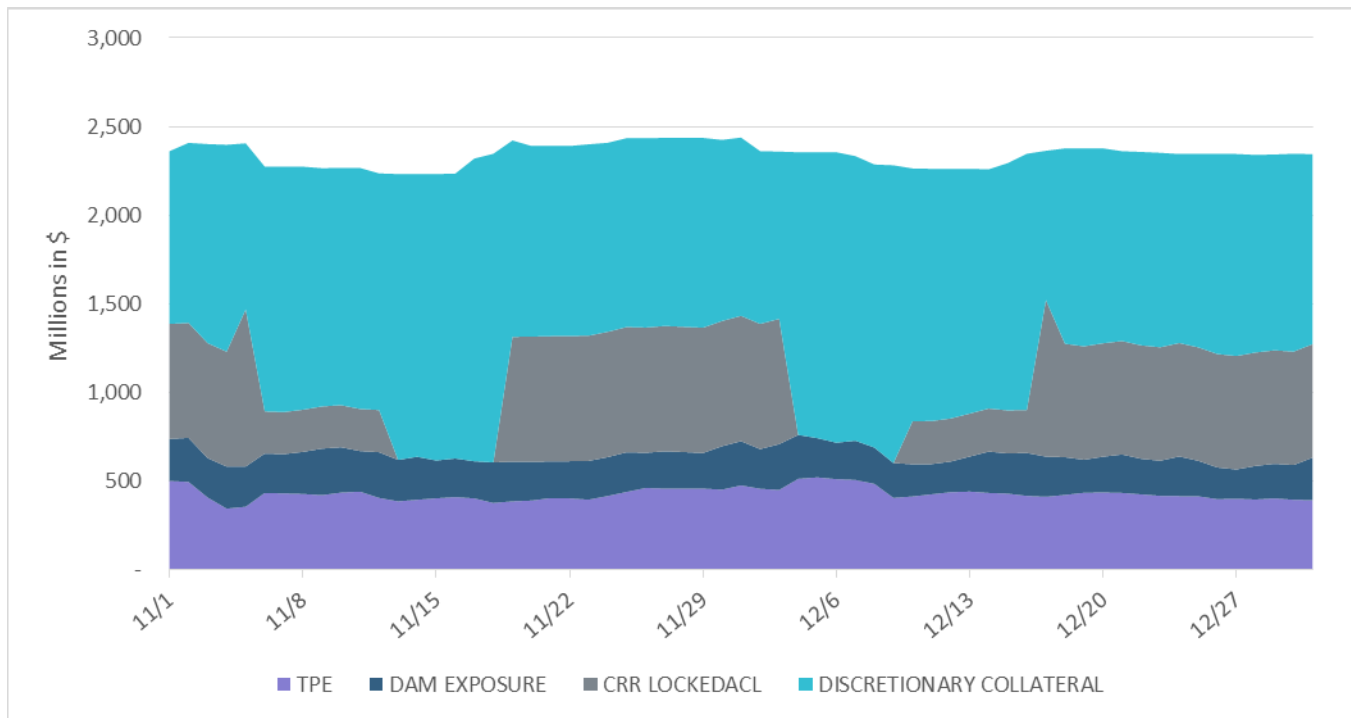
	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Total Credit Limit	3,631	3,587	3,605	3,539	3,651	3,618	3,666	3,850	4,207	3,688	3,655	3,724	3,639
Unsecured Credit	762	763	763	764	774	784	756	766	766	785	776	784	787
Guarantees	548	549	549	499	510	525	524	526	537	524	524	521	514
Surety Bonds	148	148	148	148	148	148	148	168	168	167	187	197	197
Letters of Credit	1,680	1,653	1,668	1,684	1,740	1,695	1,741	1,860	2,085	1,617	1,515	1,562	1,485
Cash	493	474	476	444	479	466	497	530	652	595	653	660	656
TPE	431	365	433	468	517	402	495	515	511	444	523	450	390
Max TPE	476	454	454	519	598	558	532	696	1,311	529	576	500	520

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



Discretionary Collateral Nov 2020 - Dec 2020

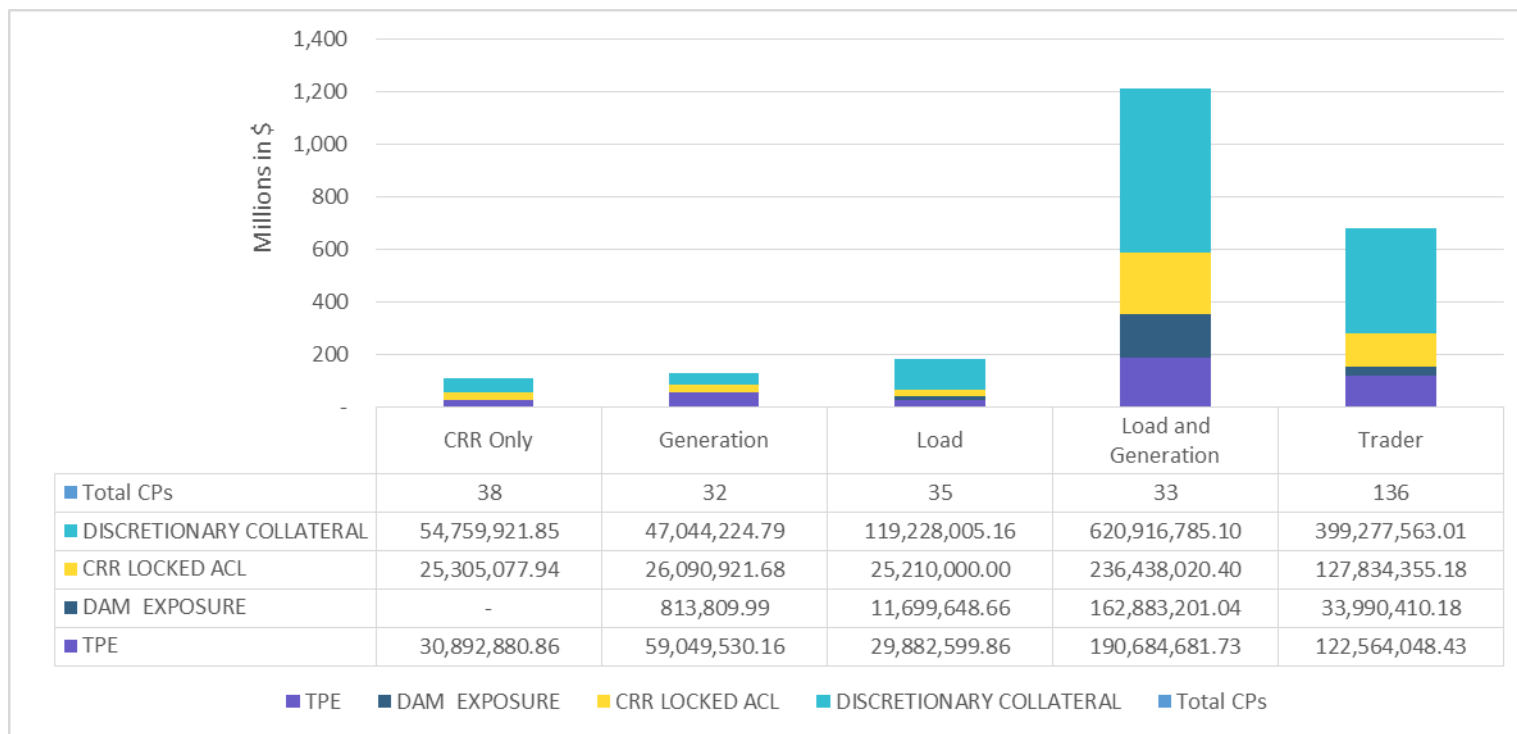
At a Counter-Party level, no unusual changes were noted



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

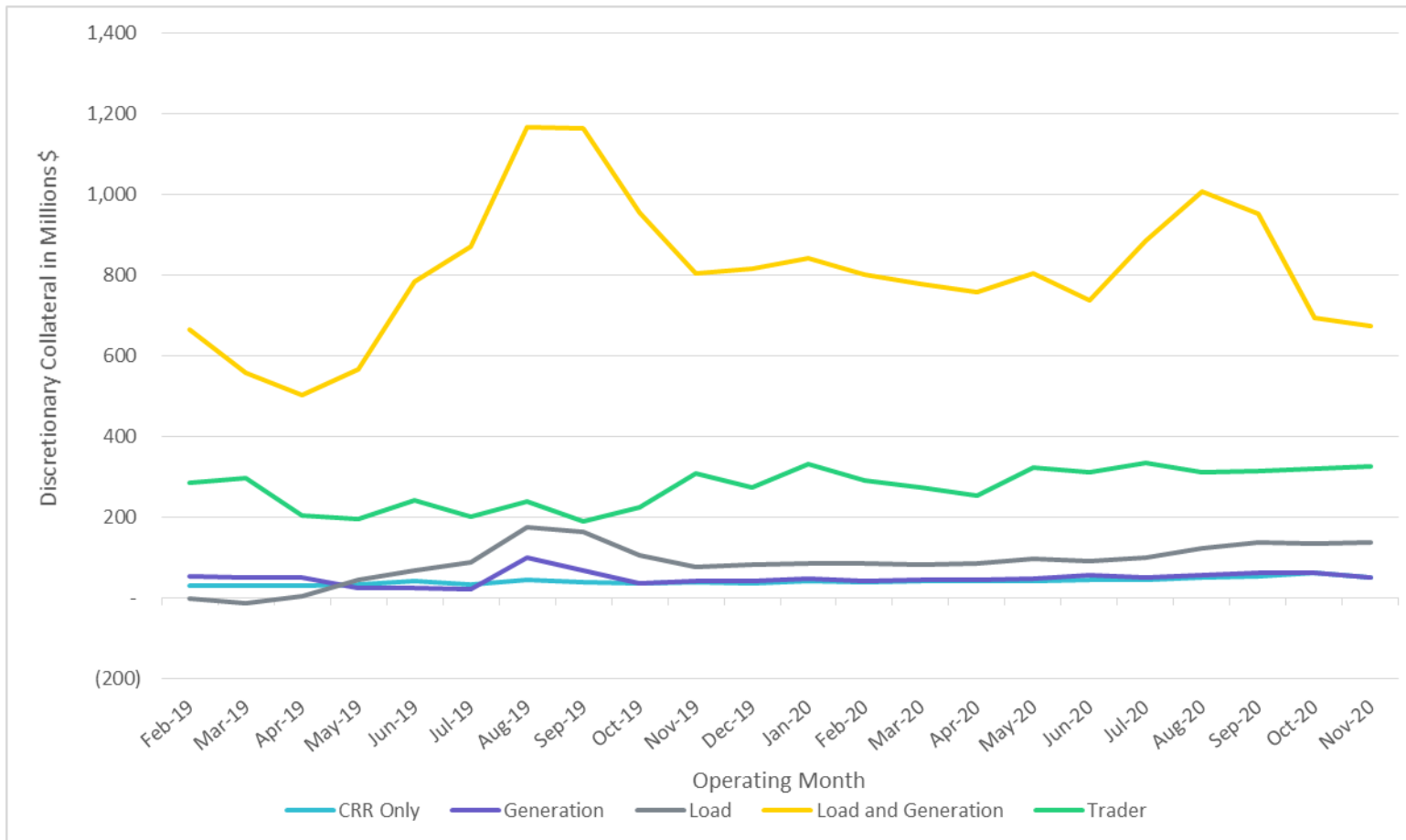
TPE and Discretionary Collateral by Market Segment - Dec 2020

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

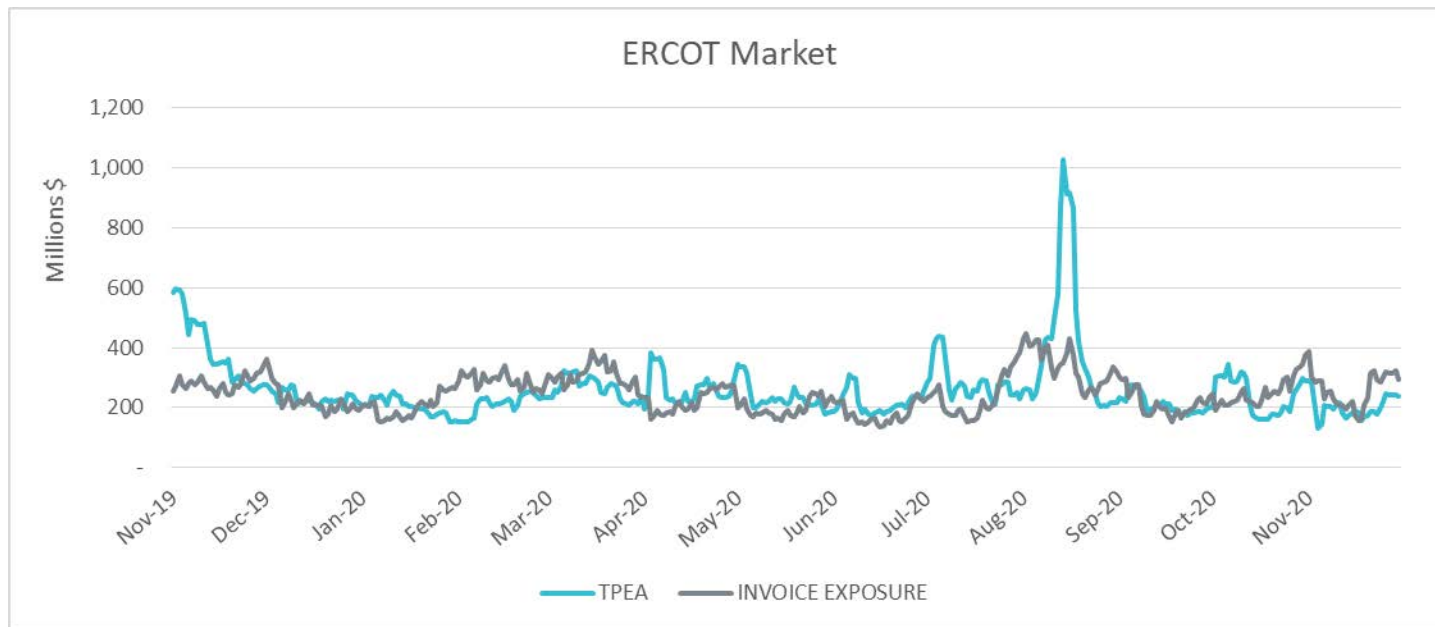


Discretionary Collateral by Market Segment Feb 2019 - Dec 2020

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



TPE Coverage of Settlements Nov 2019 - Nov 2020



TPEA closely approximates actual/invoice exposure



Summary of Distribution by Rating Group

Rating Group	Counter-Party Distribution			Average TPE Distribution			Average Excess Collateral Distribution		
	Nov-20	Dec-20	Change	Nov-20	Dec-20	Change	Nov-20	Dec-20	Change
AAA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AA- to AA+	4.43%	4.38%	-0.05%	1.44%	2.41%	0.97%	2.22%	2.05%	-0.17%
A- to A+	6.64%	6.93%	0.29%	4.24%	5.10%	0.86%	10.79%	11.67%	0.88%
BBB- to BBB+	12.92%	13.14%	0.22%	26.60%	23.83%	-2.77%	32.97%	31.37%	-1.59%
Investment Grade	23.99%	24.45%	0.47%	32.28%	31.34%	-0.93%	45.98%	45.09%	-0.88%
BB- to BB+	4.43%	4.01%	-0.41%	24.65%	26.57%	1.93%	15.43%	14.39%	-1.04%
B- to B+	1.11%	1.09%	-0.01%	2.05%	3.12%	1.07%	1.22%	1.19%	-0.03%
CCC+ and below	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Not Rated	70.48%	70.44%	-0.04%	41.02%	38.97%	-2.06%	37.37%	39.32%	1.95%
Non-investment Grade	76.01%	75.55%	-0.47%	67.72%	68.66%	0.93%	54.02%	54.91%	0.88%

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+	414,024	0	0	9,976,272	40,500	10,430,796	2.41%
A- to A+	0	5,620	3,824,475	15,261,308	2,995,828	22,087,229	5.10%
BBB- to BBB+	1,987,878	8,874,038	3,861,959	62,795,018	25,701,421	103,220,315	23.83%
Investment Grade	2,401,902	8,879,658	7,686,434	88,032,598	28,737,749	135,738,341	31.34%
BB- to BB+	0	44,125,696	6,490,556	31,632,977	32,838,261	115,087,489	26.57%
B- to B+	0	0	0	8,019,204	5,481,210	13,500,415	3.12%
CCC+ and below	0	0	0	0	0	0	0.00%
Not Rated	28,490,979	6,044,176	15,705,610	62,999,903	55,506,828	168,747,496	38.97%
Non-Investment Grade	28,490,979	50,169,872	22,196,166	102,652,084	93,826,300	297,335,400	68.66%
Total TPE	30,892,881	59,049,530	29,882,600	190,684,682	122,564,048	433,073,741	100.00%
Percent TPE	7.13%	13.63%	6.90%	44.03%	28.30%	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+	6,935,681	0	0	40,595,052	1,959,544	49,490,277	2.05%
A- to A+	116,644	3,994,380	64,921,716	137,779,660	74,211,284	281,023,684	11.67%
BBB- to BBB+	19,259,293	28,521,862	70,093,171	420,934,961	217,013,557	755,822,845	31.37%
Investment Grade	26,311,619	32,516,243	135,014,887	599,309,673	293,184,384	1,086,336,806	45.09%
BB- to BB+	0	55,290,719	42,982,631	217,275,256	31,150,348	346,698,953	14.39%
B- to B+	0	0	0	23,477,952	5,244,599	28,722,551	1.19%
CCC+ and below	0	0	0	0	0	0	0.00%
Not Rated	56,793,881	6,641,995	59,966,808	397,174,206	426,677,223	947,254,113	39.32%
Non-Investment Grade	56,793,881	61,932,714	102,949,438	637,927,414	463,072,169	1,322,675,617	54.91%
Total Excess Collateral	83,105,500	94,448,956	237,964,326	1,237,237,088	756,256,553	2,409,012,423	100.00%
Percent Excess Collateral	3.45%	3.92%	9.88%	51.36%	31.39%	100.00%	

Note: Excess collateral doesn't include Unsecured Credit Limit

Questions?