



## **Item 7.2: Periodic Report on Investments**

*Leslie Wiley*  
Treasurer

Urgent Finance & Audit Committee Meeting

ERCOT Public  
April 12, 2021

# 2021 Winter Storm Impact on Investment Corporate Standard

## ERCOT Non-Compliance with Investment Concentration Requirement

- **Requirement in ERCOT, Inc.'s Board-Approved Investment Corporate Standard:**
  - In pertinent part: *“No more than 10 percent of the portfolio shall be invested in any single money market mutual fund.”*
- **Non-Compliance:**
  - Due to the high dollar transaction volume, ERCOT had slightly greater than 10% (10.37%, 10.34% and 10.19%) invested in any single money market mutual fund on two days during the month of February.
- **Plan to Achieve Compliance:**
  - Each instance of non-compliance was brought back into compliance the next business day.

# 2021 Winter Storm Impact on Financial Corporate Standard

## ERCOT Non-Compliance with the Moody's Credit Rating Requirement

- **Requirement in ERCOT, Inc.'s Board-Approved Financial Corporate Standard:**
  - In pertinent part: *“ERCOT will pursue financial objectives that will allow it to maintain the Aa3 Moody's rating or equivalent debt rating with Standard & Poor's or Fitch. If a rating below the Aa3, or equivalent, current rating is received, staff will promptly recommend a plan for Board consideration to attempt to recover the targeted rating within 18 months.”*
- **Non-Compliance:**
  - Moody's downgraded ERCOT, Inc.'s issuer rating one step to A1 from Aa3 following the “political and financial fallout” from the February 2021 extreme winter weather event. The outlook was revised to negative from stable.
- **Plan to Achieve Compliance:**
  - Because the Texas Governor declared the reform of ERCOT as an emergency item for the current 87<sup>th</sup> Texas Legislature Regular Session, ERCOT is not able to determine the ultimate impact of any potential regulatory changes to its credit rating. ERCOT management will recommend a plan to the Board for consideration following the conclusion of the legislative session, currently scheduled for May 31, 2021.

# 2021 Winter Storm Impact on Financial Corporate Standard

## ERCOT Non-Compliance with Liquidity Requirements

- **Requirement in ERCOT, Inc.'s Board-Approved Financial Corporate Standard:**
  - In pertinent part: *“ERCOT’s targeted minimum level of liquidity will factor in: 1) **six months of forecasted redistribution of CRR Auction receipts...** If at any time ERCOT’s liquidity is less than...the targeted minimum level set forth in this Financial Corporate Standard, staff will promptly recommend a plan for Board of Directors (Board) consideration to achieve the liquidity target within six months.”*
- **Non-Compliance:**
  - ERCOT utilized \$800 Million of Congestive Revenue Rights (CRR) funds to decrease the short pay to the market on 2/26/2021. The remaining balance of \$246 Million is approximately 3 months of forecasted redistribution of CRR Auction receipts.
- **Plan to Achieve Compliance:**
  - The liquidity requirement never contemplated using CRR funds to cover market short pays. ERCOT does not currently anticipate any liquidity constraints to ERCOT, Inc.’s operations as a result of this non-compliance.
  - Because the Texas Governor declared the reform of ERCOT as an emergency item for the current 87<sup>th</sup> Texas Legislature Regular Session, ERCOT is not able to determine the ultimate impact of any potential regulatory changes to its liquidity. ERCOT management will recommend a plan to the Board for consideration following the conclusion of the legislative session, currently scheduled for May 31, 2021.



# Investment Compliance

Standard	Compliance
100% Treasury Analysis reviewed by Investment Officers. Money market mutual funds invested in U.S. treasury securities or a combination of U.S. treasury securities and repurchase agreements backed by U.S. treasury securities.	Yes
Concentration analysis reviewed by Investment Officers. No more than 10% of investable funds will be maintained in any one fund.	No. Due to the high dollar transaction volume, ERCOT had slightly greater than 10% (10.37%, 10.34% and 10.19%) invested in any single money market mutual fund on two days during the month of February. These were brought back into compliance the following days.
Credit Analysis reviewed by Investment Officers.	Yes
Has assets under management in the fund of at least \$1 billion.	Yes
United States Treasury Obligation Portfolio reviewed by Investment Officers.	Yes

**Electric Reliability Council of Texas, Inc.**  
**Investment Compliance**  
**February 28, 2021**  
(\$ in 000's)

	Average Daily Balance	Effective Yield	Monthly Investment Income	
<b>Investment Funds</b>	\$ 4,911,602	0.01%	\$ 51	

  

	Purchase Price	Effective Yield	Monthly Investment Income	Duration
<b>US Treasury Obligation Portfolio (Cash only)</b>	\$ -	-	\$ -	-

**Note:** On 2/26/2021, ERCOT liquidated the entire US Treasury Obligation portfolio of \$103,456,000.

**Statement of Compliance**

Upon a review of the investment activity, ERCOT was not in compliance with all requirements of the Investment Corporate Standard since the last report provided to the Finance and Audit Committee. The non-compliance was on the concentration analysis and noted below\*.

- 100% treasury analysis reviewed by Investment Officers. Money market mutual funds invested in U.S. Treasury Securities or a combination of U.S. Treasury Securities and repurchase agreements backed by U.S. Treasury Securities.
- **Non-compliance:** Concentration analysis reviewed by Investment Officers. No more than 10% of investable funds will be maintained in any one fund. \*Due to the high dollar transaction volume, ERCOT had slightly greater than 10% (10.37%, 10.34% and 10.19%) invested in any single money market mutual fund on two days during the month of February. These were brought back into compliance the following days.
- Credit analysis reviewed by Investment Officers.
- Each fund has assets under management of at least \$1 billion.
- United States Treasury Obligation Portfolio reviewed by Investment Officers.

Signature on File

Sean Taylor Vice President and CFO

Note: Investment monthly holdings and bond portfolio details are available for review upon request.



**Electric Reliability Council of Texas, Inc.**  
**Summary of Investment Fund Results**  
**February 28, 2021**  
(\$ in 000's)

<b>Investment Funds</b>	<b>Average Daily Balance</b>	<b>Effective Yield</b>	<b>Monthly Investment Income</b>	<b>Percentage of Portfolio</b>
BlackRock Institutional T-Fund (60) MMF	\$ 198,239	0.03%	\$ 4	4.0%
BlackRock Institutional Treasury Trust Fund MMF	183,713	0.03%	4	3.7%
Dreyfus Treasury Prime Cash Management MMF	379,484	0.01%	3	7.7%
Federated Fund 068 Treasury Obligations Fund	134,581	0.01%	1	2.7%
Federated Fund 0125 US Treasury Cash Reserves Fund	219,729	0.01%	2	4.5%
Fidelity 680 Institutional MMF: Treasury Only Portfolio	120,014	0.01%	1	2.4%
Fidelity 695 Institutional MMF: Treasury Portfolio	240,049	0.01%	2	4.9%
First Amer Treas Oblig/CI Z	344,802	0.03%	8	7.0%
Goldman Sachs Treasury Instruments Fund 506	373,470	0.01%	2	7.6%
Invesco Institutional Treasury Portfolio	414,372	0.01%	3	8.4%
JP Morgan Chase US Treasury Plus MM Fund	415,514	0.03%	8	8.5%
Morgan Stanley Fund 8304 Treasury	384,421	0.01%	3	7.8%
State Street Global Advisors Institutional Treasury MMF	363,316	0.01%	3	7.4%
UBS Select Treasury Preferred Fund 46	373,482	0.01%	3	7.6%
Western Asset Institutional US Treasury Reserves	374,080	0.01%	3	7.6%
Wells Fargo 100% Treasury	165,179	0.01%	1	3.4%
Wells Fargo Institutional Treasury Plus MMF	227,158	0.01%	2	4.6%
<b>Total Investments</b>	<b>\$ 4,911,602</b>	<b>0.01%</b>	<b>\$ 51</b>	<b>100.0%</b>