



Item 7: Letter of Credit Issuer Limits

Mark Ruane

Senior Director, Settlements, Retail and Credit

Urgent Finance & Audit Committee Meeting

ERCOT Public

August 9, 2021

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 June 30, 2021

Summary Statistics	six months ending		Change
	12/31/2020	06/30/2021	
Number of issuers	34	33	-1
Minimum computed limit	\$24.66m	\$27.95m	\$3.29m
Issuers with limit at \$750m cap	5	5	-
Minimum current excess capacity	\$24.66m	\$27.75m	\$3.09m
Maximum excess capacity	\$717.99m	\$718.99m	\$1.00m
LC issuance in excess of limits	0	0	0

On the LC issuance detail table, note that in some instances the maximum amount of LCs accepted between January 2021 and June 2021 exceeded the issuer limit. This is because ERCOT used its discretionary authority during the winter storm event to accept additional letters of credit to meet collateral requirements.

Letter of Credit Concentration Limits (\$ million)

LC Issuer	Computed Issuer Limit	LCs Outstanding as of June 30,2021	Excess Capacity as of June 30,2021	% Current Excess / Limit	Maximum LCs Issued, Jan 2021- Jun 2021	Average LCs Issued, Jan 2021- Jun 2021
ANZ Bank	346.87	15.00	331.87	96%	15.00	14.40
BNP Paribas	750.00	494.93	255.07	34%	1,510.63	435.62
Bank of America NA	750.00	281.44	468.56	62%	983.14	217.76
Bank of Montreal	303.42	47.00	256.42	85%	240.00	24.86
Bank of Nova Scotia	304.25	31.08	273.17	90%	390.53	67.53
Bank of Tokyo-Mitsubishi UFJ, Ltd. New York Branch	750.00	107.67	642.33	86%	275.17	42.11
Barclays Bank PLC	573.95	150.50	423.45	74%	463.50	106.60
Canadian Imperial Bank	216.28	36.60	179.68	83%	78.40	23.88
Citibank NA	750.00	31.01	718.99	96%	310.01	30.21
CoBank ACB	101.23	37.50	63.73	63%	52.50	40.15
Comerica Bank	55.66	0.20	55.46	100%	3.20	1.29
Cooperatieve Rabobank U.A.	385.49	0.40	385.09	100%	14.00	1.38
Credit Agricole Corporate & Investment Bank SA	185.29	68.00	117.29	63%	269.54	110.04
Credit Industriel et Commercial	135.92	0.00	135.92	100%	30.00	1.66
Credit Suisse AG	382.03	0.50	381.53	100%	310.50	34.89
DNB Bank ASA	178.70	125.70	53.00	30%	125.70	111.34
Frost Bank	27.95	0.20	27.75	99%	0.20	0.20
Goldman Sachs Bank USA	239.68	37.40	202.28	84%	78.40	39.21
KeyBank National Association	108.36	15.50	92.86	86%	15.50	15.50
Lloyds Bank Corporate Markets PLC	398.15	201.50	196.65	49%	291.00	211.14
MUFG Union Bank N.A.	114.07	6.00	108.07	95%	6.00	4.87
Mizuho Corporate Bank Ltd.	501.37	65.51	435.86	87%	754.32	143.07
Morgan Stanley Bank, N.A.	137.08	0.10	136.98	100%	272.00	26.31
National Australia Bank Limited	350.38	70.00	280.38	80%	285.00	134.42
Natixis	147.00	87.90	59.10	40%	1,205.91	155.25
PNC Bank NA	283.18	2.75	280.43	99%	2.75	2.06
Royal Bank of Canada	476.42	55.00	421.42	88%	110.00	80.50
Shinhan Bank New York Branch	265.81	-	265.81	100%	5.00	1.74
Societe Generale	505.71	369.50	136.21	27%	554.50	130.33
Sumitomo Mitsui Banking Corporation	553.74	71.75	481.99	87%	344.85	80.67
Toronto-Dominion Bank, The	514.31	7.15	507.16	99%	7.15	7.13
US Bank	358.22	14.00	344.22	96%	20.00	14.70
Wells Fargo	750.00	107.75	642.25	86%	364.75	92.09
		2,539.53				

Letter of Credit Issuer Limits

Questions