



**Item 10.1.1: NPRR1112, Reduction of
Unsecured Credit Limits (URGENT) – ERCOT
Presentation on Information Requested by
Board**

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ERCOT Board of Directors

ERCOT Public

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- All ISO/RTOs currently offer unsecured credit.
- Use of unsecured credit by ISO/RTOs was impacted by the CFTC RTO/ISO Exemption Order of March 2013.
 - The Order exempted ISO/RTOs from certain provisions of the Commodity Exchange Act that provided the CFTC with jurisdiction over derivatives transactions.
- With respect to unsecured credit, the exemption:
 - Disallowed the use of unsecured credit to cover credit exposure from CRRs/FTRs.
 - Reduced caps on unsecured credit limits to no more than \$50 million per Counter-Party.

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- Unsecured credit limits are by Counter-Party. There are no aggregate caps on the amount of unsecured credit outstanding at an ISO/RTO.
- Total unsecured credit amounts at other ISO/RTOs apparently range from approximately \$100 million to \$1.75 billion. ERCOT has approximately \$1.4 billion outstanding.
- Outside of the ISO/RTO sector, we have not identified exchanges / central counterparties offering unsecured credit.

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Entity	Do you allow for unsecured credit?	Do you consider an affiliate guaranty a form of unsecured credit?	Do you allow guarantees?	What is the maximum amount of unsecured credit any one MP can obtain?	What is the maximum amount of unsecured credit any corporate family can obtain?	What markets/products cannot utilize unsecured credit?	If you do not allow unsecured credit and guarantees in the markets how long has that policy been in place?	Other information
ERCOT	Yes	Yes	Yes - foreign and domestic	\$50,000,000	\$50,000,000	CRR	N/A	
CAISO	Yes	Yes	Yes - foreign and domestic	\$50,000,000	\$50,000,000	CRR	N/A	
ISO-NE	Yes	No	No	\$50,000,000	\$50,000,000	FTR	6-7 years	ISO-NE buys credit insurance on behalf of all the participants that have unsecured credit limits.
MISO	Yes	Yes	Yes - foreign and domestic	\$50,000,000	\$50,000,000	FTR	N/A	

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NYISO	Yes	Yes	Yes - domestic and Canadian	\$50,000,000 - lower amounts depending on credit rating	\$50,000,000	TCC and Projected True-Up Exposure	N/A	For unrated companies, upon request the NYISO will calculate an equivalent rating from financials. The NYISO also has a credit scoring tool that may increase or decrease the amount allowed
PJM	Yes	Yes	Yes	\$50,000,000 - lower amounts depending on credit rating	\$50,000,000	FTR	Probably 8-10 years	For unrated companies, they calculate an equivalent rating from financials.
SPP	Yes	Yes	Yes - foreign and domestic	\$50,000,000	\$50,000,000	CRR	N/A	

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ICE	No	N/A	No	\$0	\$0	Futures, options, OTC & Physicals - NYSE market	N/A	N/A
CME Group	No	N/A	No	\$0	\$0	Futures, options, equity, foreign exchange, Energy, agricultural products and metal - CME, CBOT, NYMEX, COMEX markets	N/A	N/A
NASDAQ	No	N/A	No	\$0	\$0	Futures, options, derivatives, equities, commodities, fixed income	N/A	N/A



