



Item 9.4: Market Credit Update

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Reliability and Markets Committee Meeting

ERCOT Public

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Credit Highlights

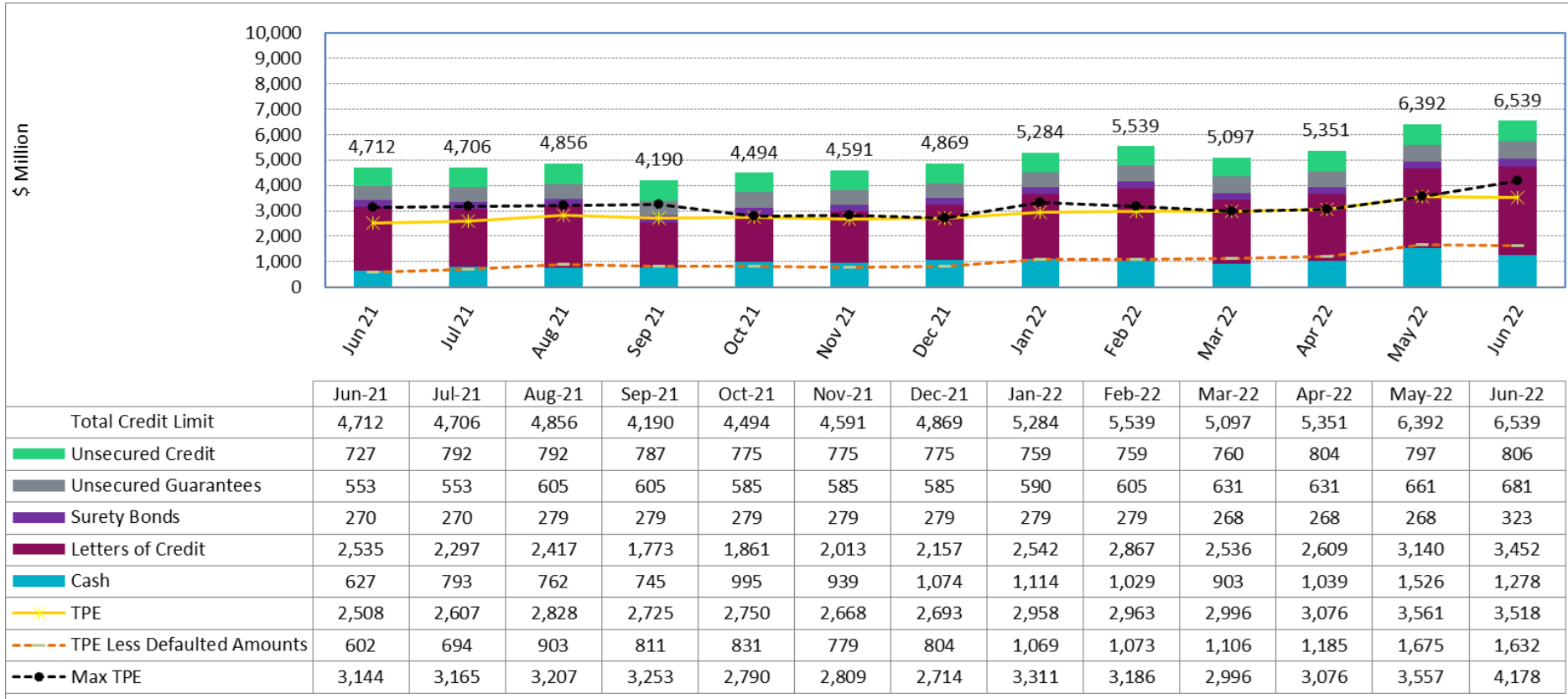
- No defaults or unusual collateral call activity.
- Outstanding NPRRs:
 - NPRR 1067 – Market Entry Qualifications, Continued Participation Requirements, and Credit Risk Assessment. Tabled at PRS.
 - NPRR 1112 – Reduction of Unsecured Credit Limits
 - NPRR 1126 – Default Uplift Allocation Enhancement. Reallocates default uplift charges by applying scalars to the components for owned CRRs and Point-to-Point Obligations with Links to an Option. Tabled at PRS.
 - Draft Market Participant NPRR – Revises credit requirements for Counter-Parties that are traders only, particularly by
 - Reducing the M1 component of the TPE calculation from a minimum of 10 days to 2, and,
 - Computing TPE at the QSE level to separately account for exposure of trading and non-trading QSEs.

Credit Highlights

- Three banks are in excess of their letter of credit issuer limits. Four months after breach, ERCOT will stop accepting new letters of credit or amendments to existing letters of credit from that issuer.
- Invoicing for PURA Subchapter N Default Uplift began August 1st. Escrow was collected starting in June.
- Market-wide average Total Potential Exposure (TPE) increased from \$1.52 billion in May to \$1.88 billion in June.
 - TPE increased mainly due to
 - Higher Forward Adjustment Factors and
 - Higher Real-Time and Day-Ahead Settlement Point prices
 - Average Discretionary Collateral increased from \$2.23 billion in May to \$2.50 billion in June

Available Credit by Type Compared to Total Potential Exposure (TPE) Jun 2021- Jun 2022

This shows Total Potential Exposure (TPE) compared to the forms of collateral held.

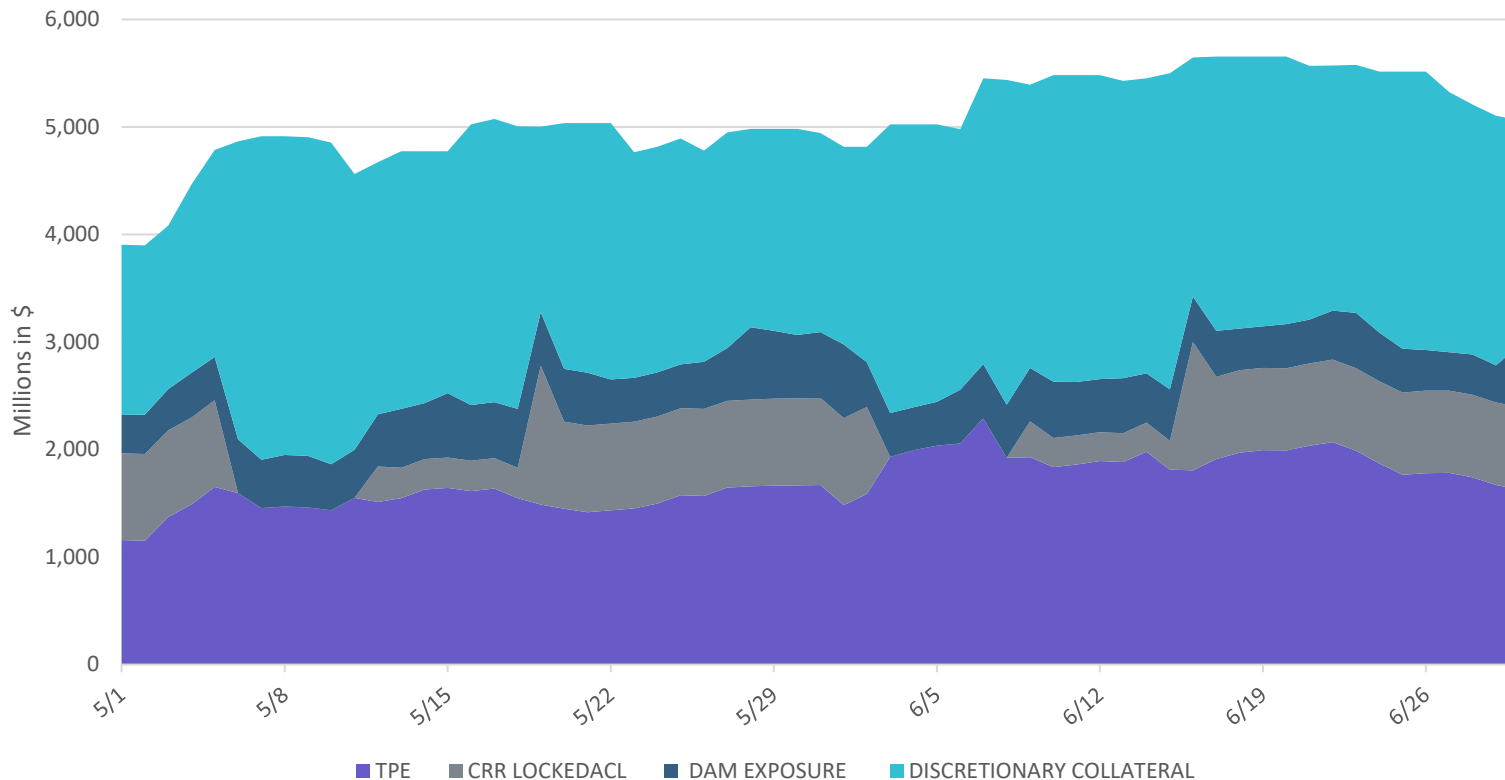


- Numbers are as of month-end except for Max TPE
- Max TPE is the highest TPE for the corresponding month
- TPE is less Defaulted Amounts (short-paid invoices)



Discretionary Collateral May 2022 - June 2022

ERCOT Counter-Parties typically provide a large measure of collateral in excess of that required to cover Total Potential Exposure (TPE), DAM activity, and CRR auctions.

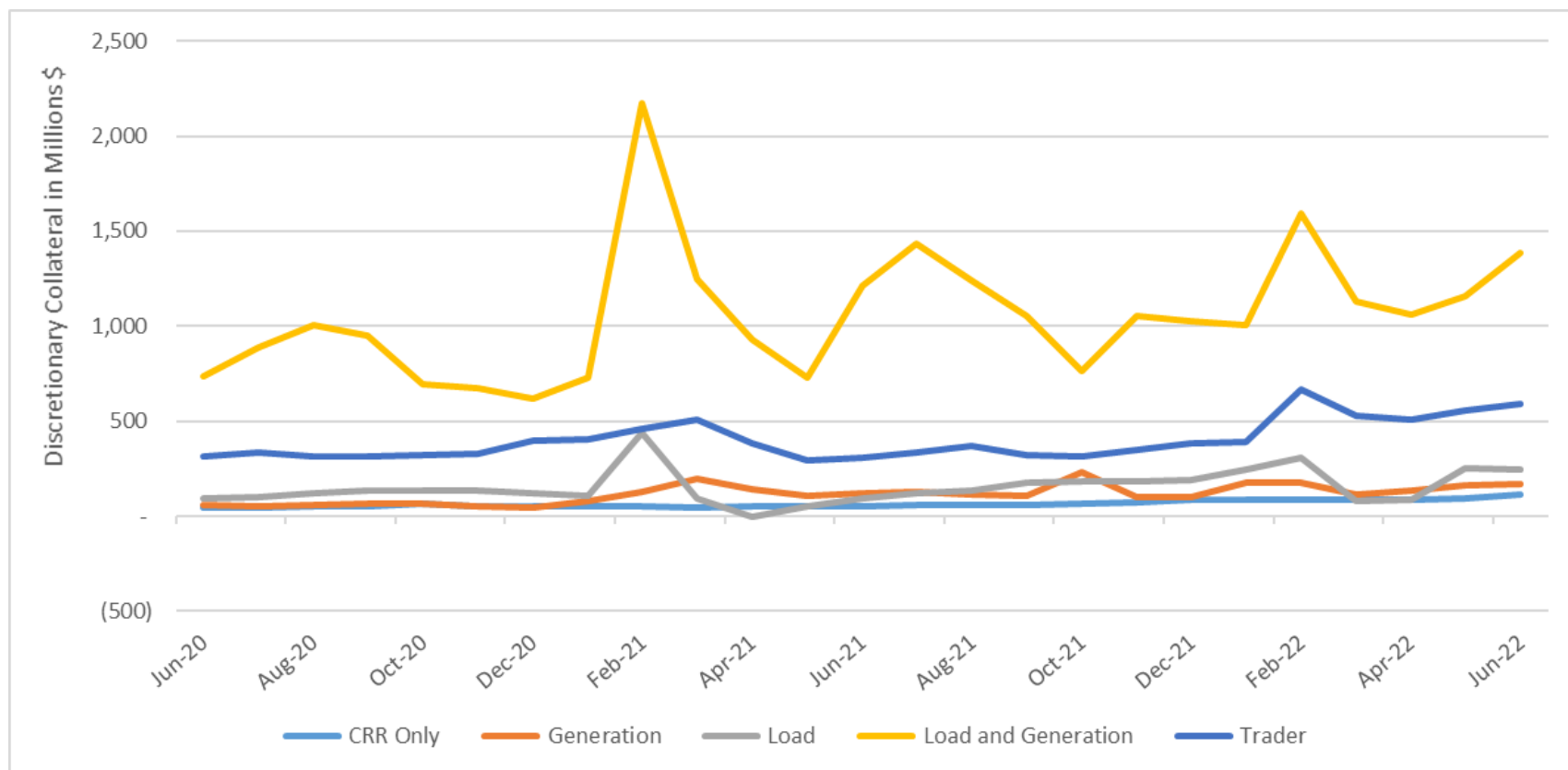


* Discretionary collateral does not include Unsecured Credit Limit or unsecured guarantees

* TPE adjusted to exclude short pay entities eliminating data skew

Discretionary Collateral by Market Segment June 2020- June 2022

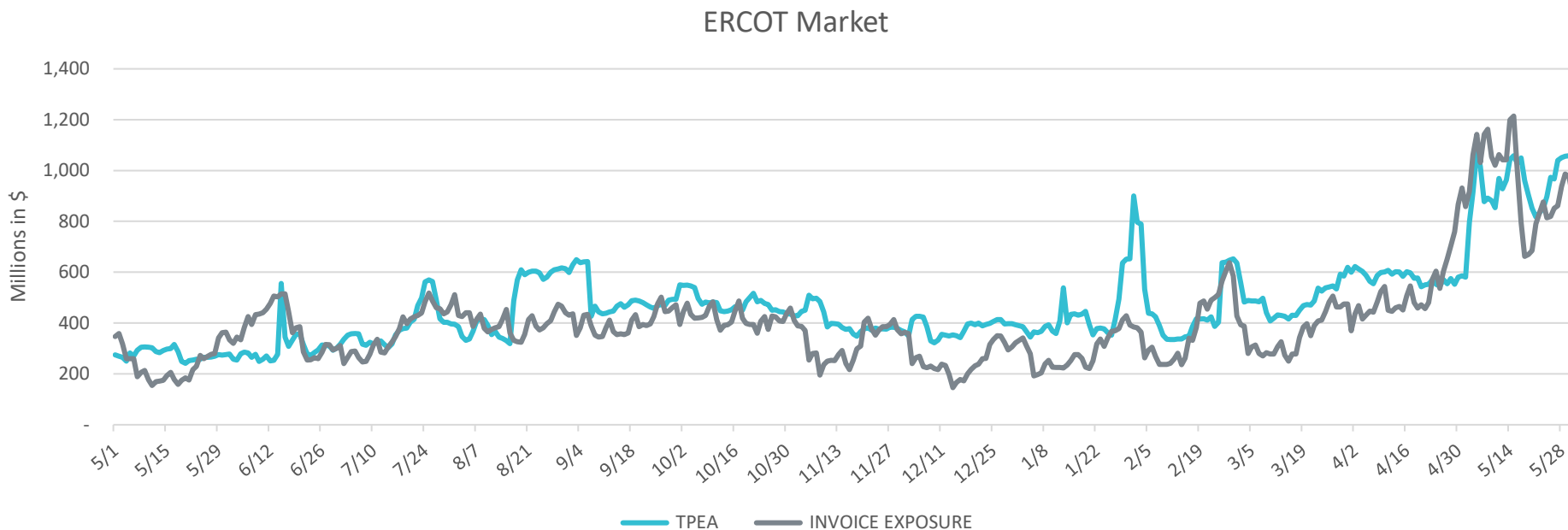
Discretionary collateral evidences seasonality, as well as a peak in February 2021.



* Discretionary Collateral adjusted to exclude short pay amounts eliminating data skew

TPEA Coverage of Settlements May 2021– May 2022

Total Potential Exposure – Any (TPEA) is estimated credit exposure for non-CRR market activities. It typically closely approximates actual Invoice exposure.



Distributions by Counter-Party Credit Rating

Most ERCOT Counter-Parties are not agency-rated. However, unrated entities account for proportionately less TPE and excess collateral than agency-rated entities.

