



Item 9.4: Market Credit Update – REVISED

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Reliability and Markets Committee Meeting

ERCOT Public

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Market Credit Update

- No defaults or unusual collateral call activity.
- Market-wide average Total Potential Exposure (TPE) increased from \$1.97 billion in July to \$2.72 billion in August.
 - The increase in TPE was due primarily to seasonally higher Real-Time and Day-Ahead Settlement Point prices.
- One bank remains in excess of its letter of credit issuer limit.
- Legal and credit have undertaken a review of ERCOT's collateral support documents. Stakeholder discussion is expected to begin in November.



Market Credit Update

Credit-Related Revision Requests

NPRR 1067 – Market Entry Qualifications, Continued Participation Requirements, and Credit Risk Assessment

Tabled at Protocol Revision Subcommittee (PRS). ERCOT is drafting update comments and has asked Credit Work Group/Market Credit Work Group to review.

NPRR 1146 – Credit Changes to Appropriately Reflect TAO Exposure

- “TAO” = Trading Activity Only

PRS referral to Wholesale Market Subcommittee. ERCOT has filed comments expressing opposition to this Nodal Protocol Revision Request.

FERC Notice of Proposed Rule-Making (NOPR)

- On August 8, 2022, FERC issued a Notice of Proposed Rulemaking (NOPR) “Credit-Related Information Sharing in Organized Electric Markets”.
- The NOPR would require each jurisdictional ISO/RTO to revise its tariff to permit sharing of market participant credit-related information with other jurisdictional ISO/RTOs.
- The NOPR has been discussed by ISO/RTO CFOs, credit managers, and the ISO/RTO Council (IRC) Regulatory and Legislative Committee.

Market Credit Update

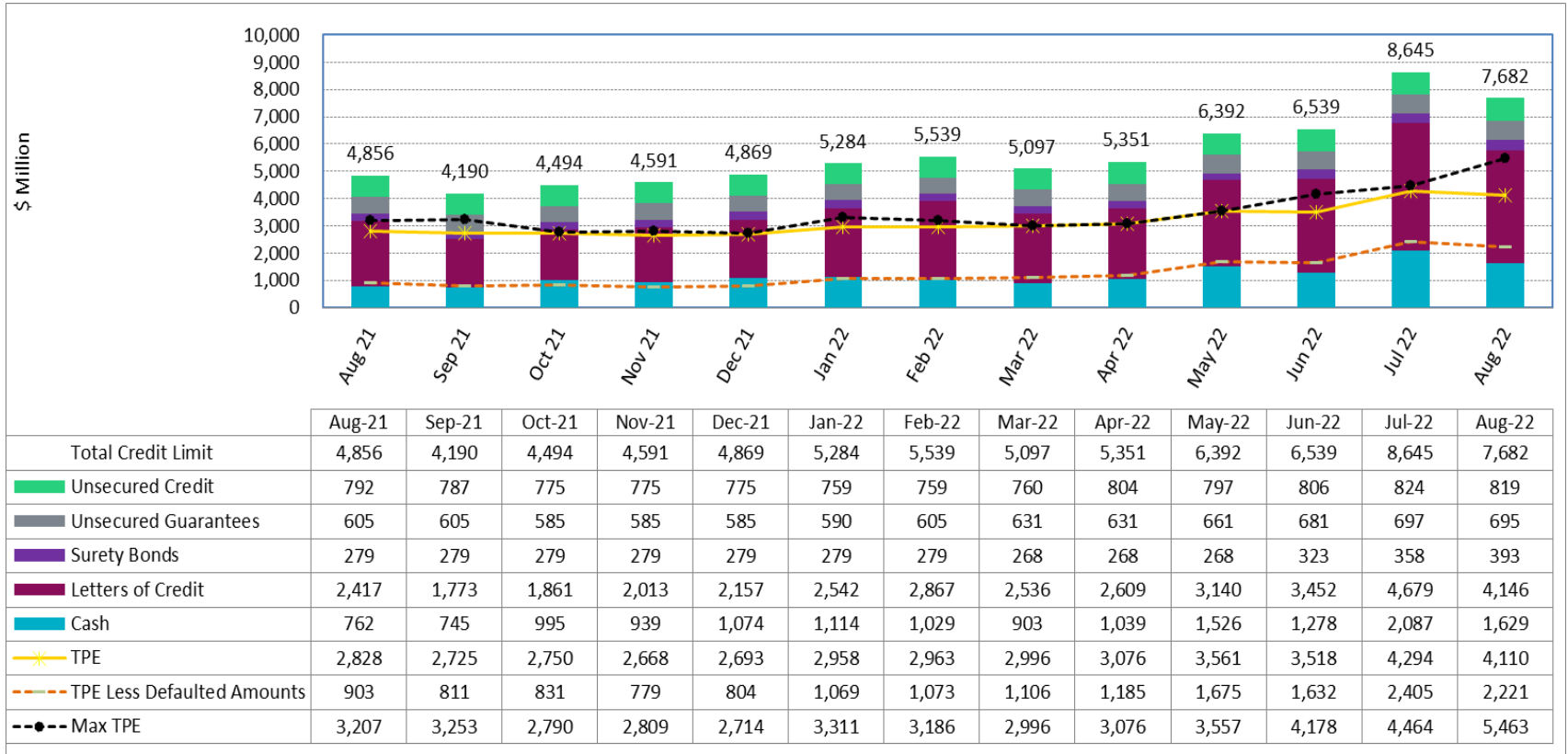
Notice of Proposed Rulemaking Issues

- Means by which non-jurisdictional ISO/RTOs might be included in information-sharing provisions
- Mandatory versus discretionary sharing
- Determination of what information could be shared
- Determination of the entities for which information could be shared
- Potential liability concerns
- ISOs have filed joint comments

Appendices

Market Credit Update

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

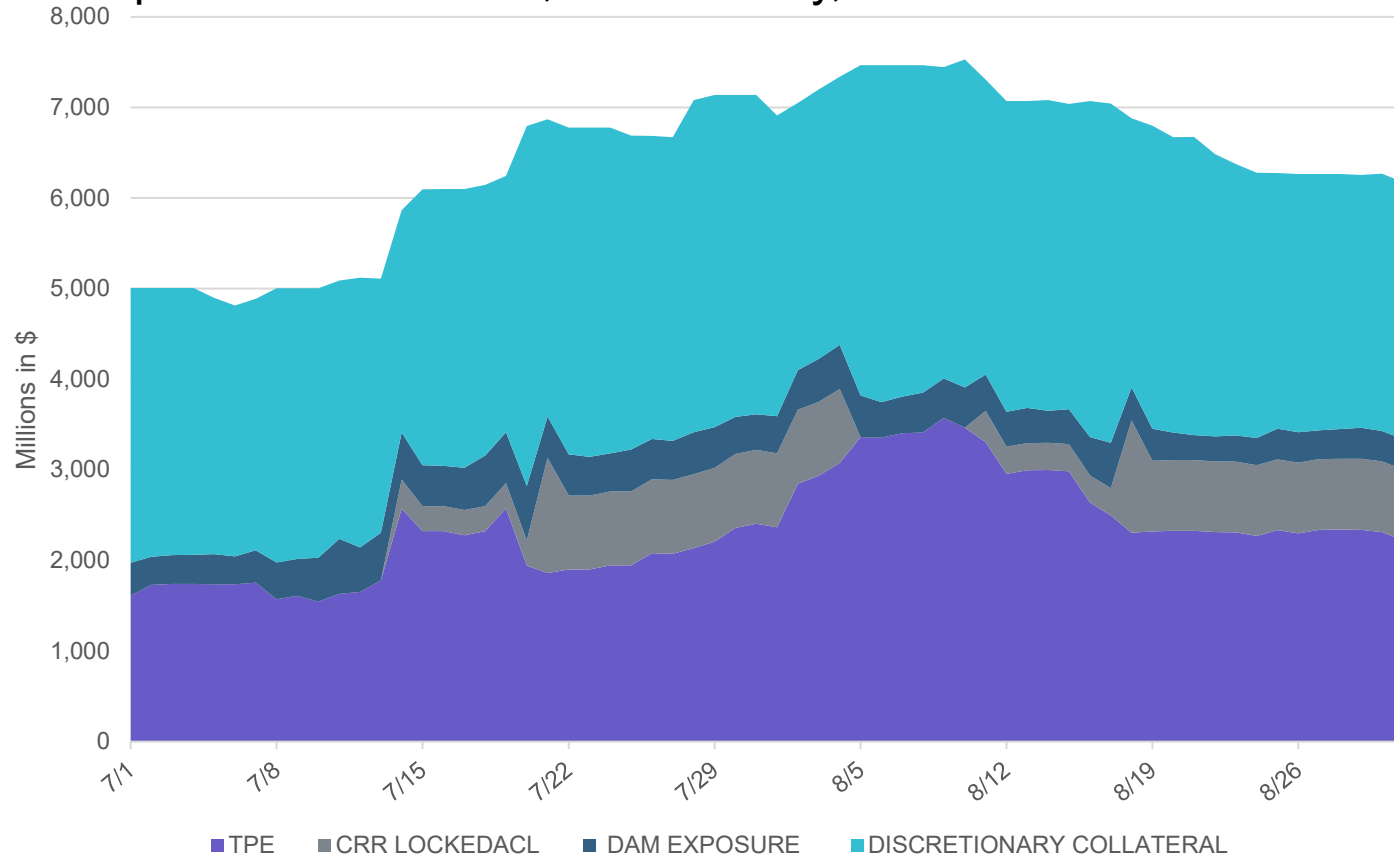


- Numbers are as of month-end except for Max TPE
- Max TPE is the highest TPE for the corresponding month
- TPE less Defaulted Amounts: TPE – Short-Paid Invoices



Market Credit Update

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



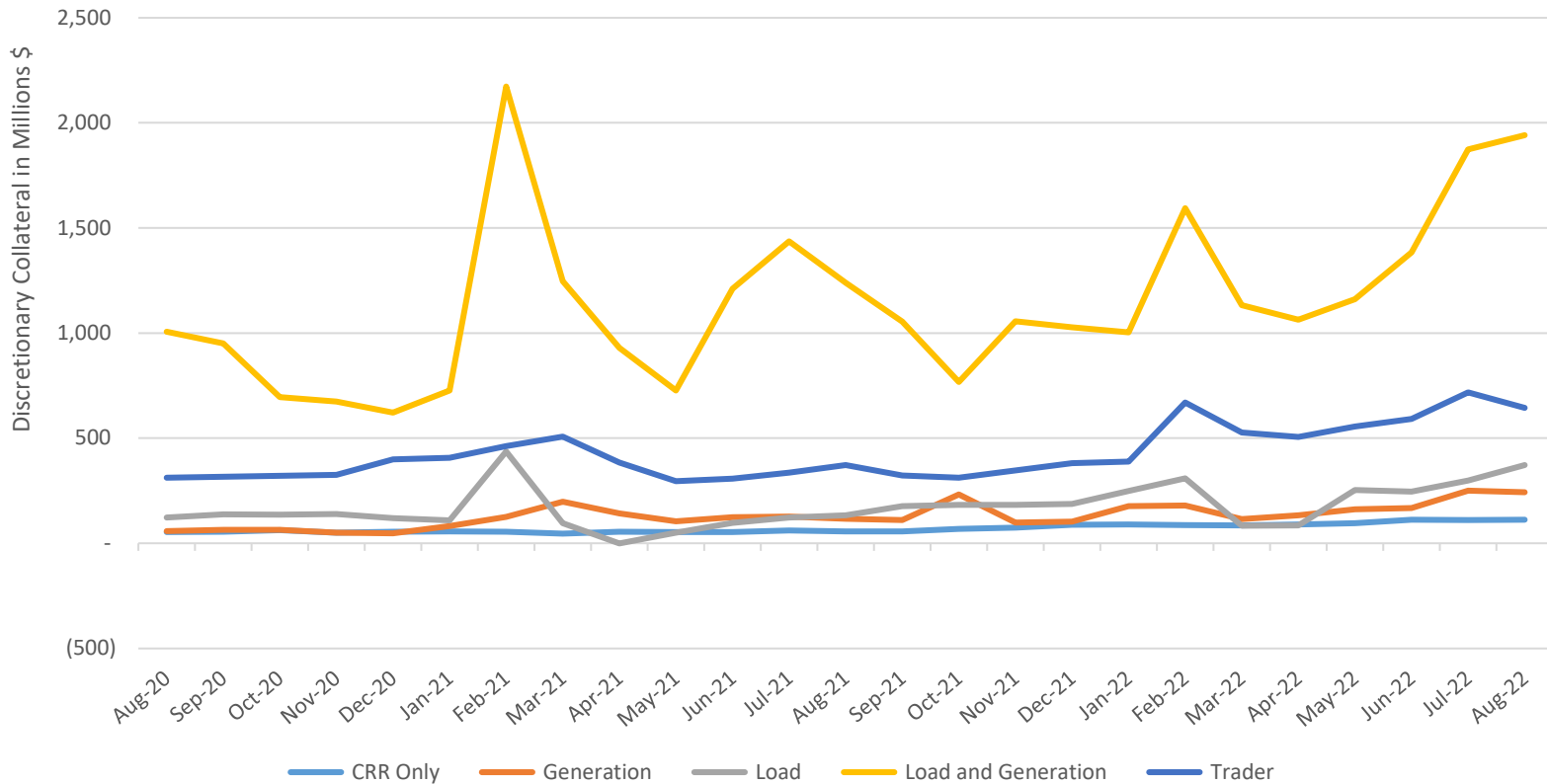
* Discretionary collateral does not include Unsecured Credit Limit or parent guarantees

* TPE adjusted to exclude short pay entities eliminating data skew



Market Credit Update

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

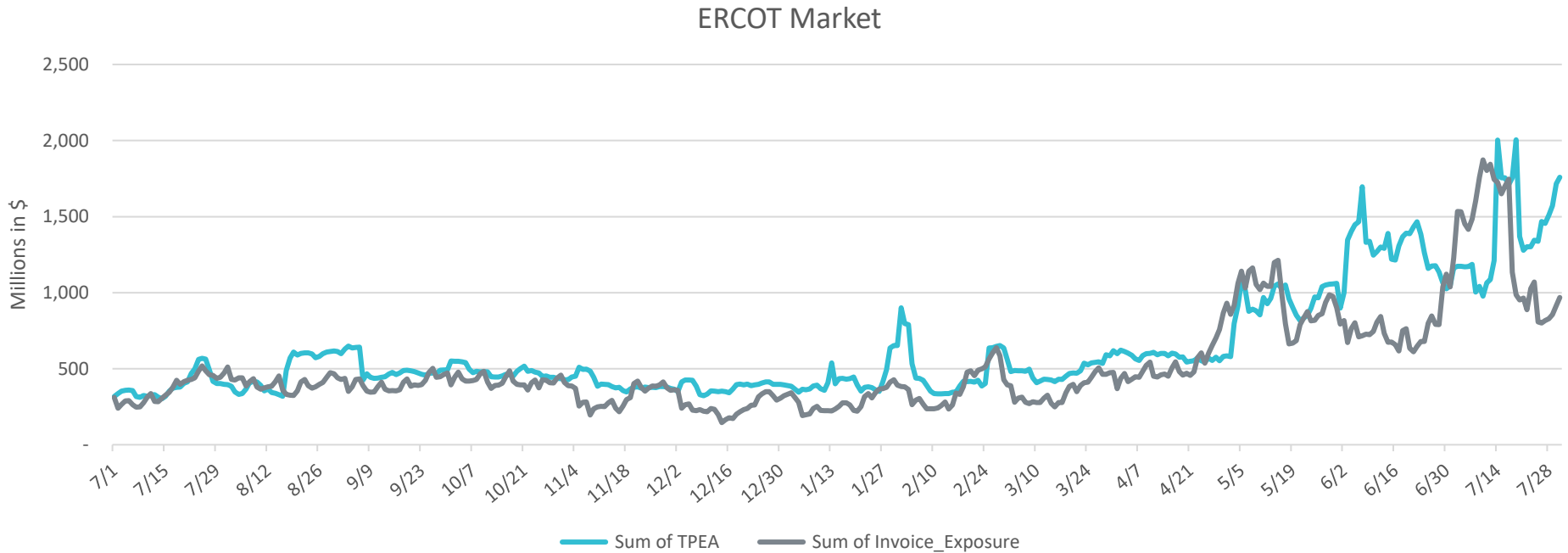


* Discretionary Collateral adjusted to exclude short pay amounts eliminating data skew



Market Credit Update

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



*TPEA closely approximates actual/invoice exposure

*TPEA adjusted to exclude short pay entities eliminating data skew

