



Item 7.4: 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 Protocol Revision Subcommittee (PRS)
 - NPRR 1146 - Credit Changes to Appropriately Reflect TAO Exposure
 - “TAO” = Trading Activity Only

Credit Highlights

- Market-wide average Total Potential Exposure (TPE) decreased from \$1.61 billion in September to \$1.17 billion in October.
 - TPE decreased mainly due to
 - Lower Forward Adjustment Factors
 - Lower Real-Time and Day-Ahead Settlement Point prices
 - Average Discretionary Collateral decreased from \$3.25 billion in September to \$2.84 billion in October

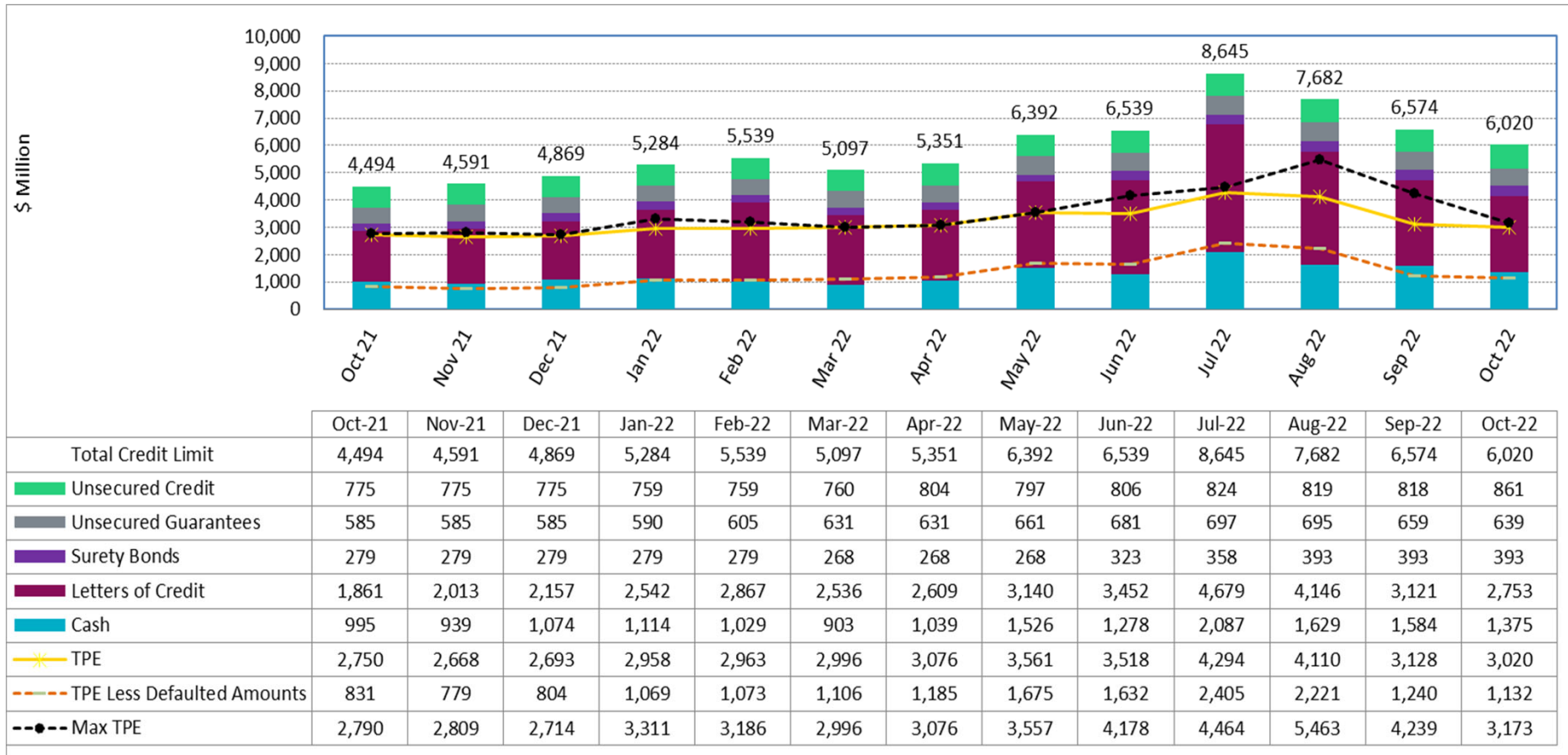
APPENDICES

A software error created an issue with the calculation of credit.

- A software issue in the Credit Monitoring and Management (CMM) system incorrectly determined the Effective Auction Clearing Price (EACP) used to calculate the Auction Credit Requirement (ACR). ACR is used for the pre-auction screening and in auction clearing process for each Congestion Revenue Right (CRR) auction.
 - The issue occurred after the process was automated in September 2021.
 - In terms of impacted bids, the largest impact was 445 bids out of a total of 54,194 (0.82%) Point-to-Point (PTP) Obligation bids.
 - A fix was implemented effective for the December 2022 monthly auction.

Available Credit by Type Compared to Total Potential Exposure (TPE) Month-End Oct 2021- Oct 2022

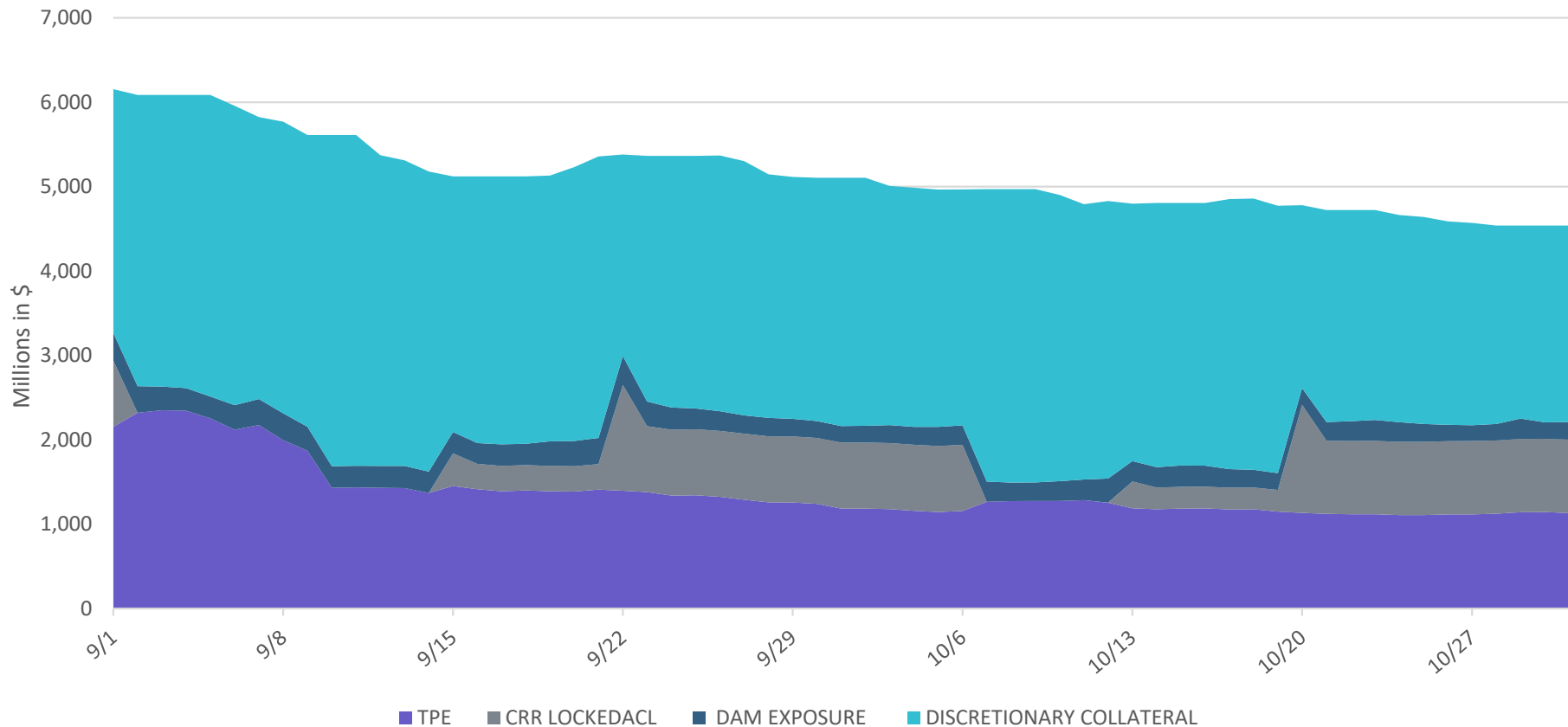
This shows TPE compared to the forms of collateral held.



- 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

Discretionary Collateral September 2022 - October 2022

ERCOT Counter-Parties typically provide a large measure of collateral in excess of that required to cover TPE, Day-Ahead Market (DAM) activity and Congestion Revenue Right (CRR) auctions

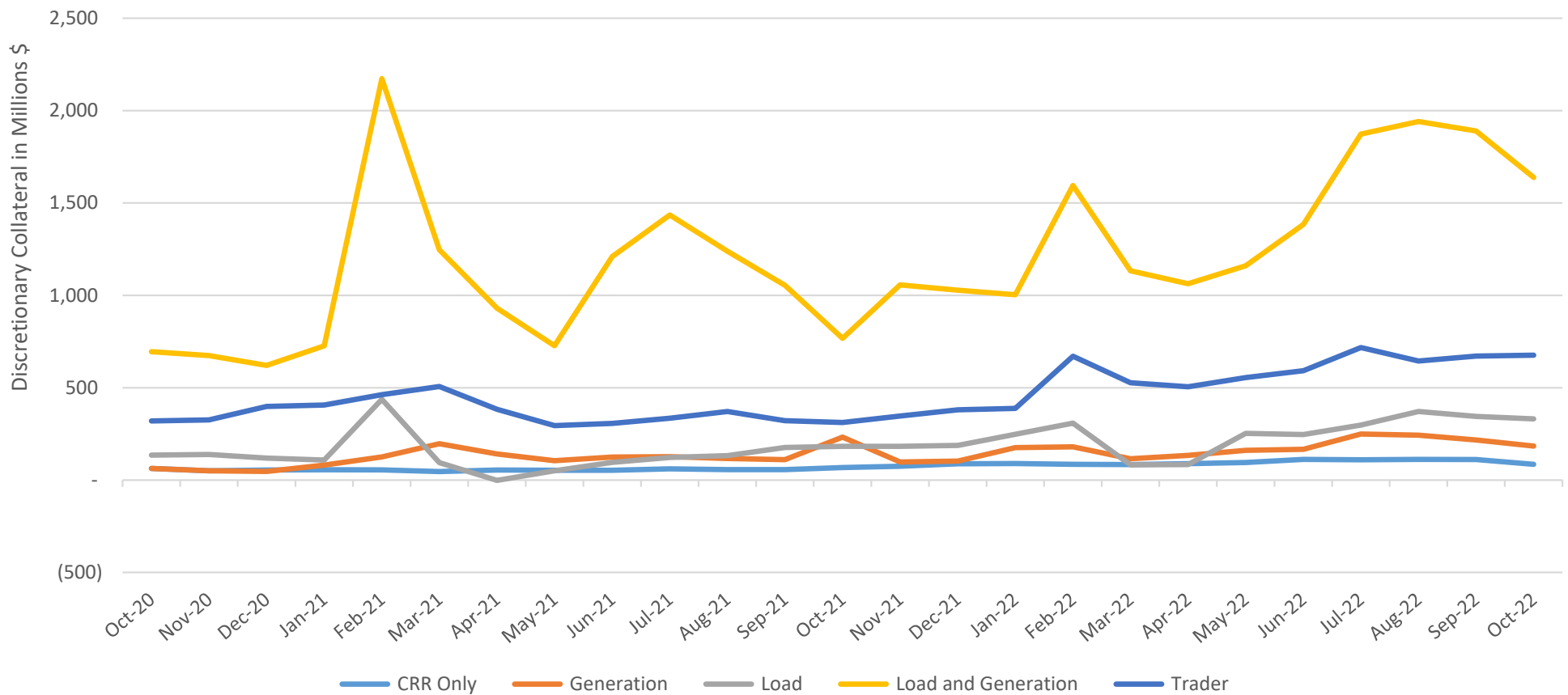


* Discretionary collateral doesn't include Unsecured Credit Limit or parent guarantees

* TPE adjusted to exclude short pay entities eliminating data skew

Discretionary Collateral by Market Segment October 2020 - October 2022

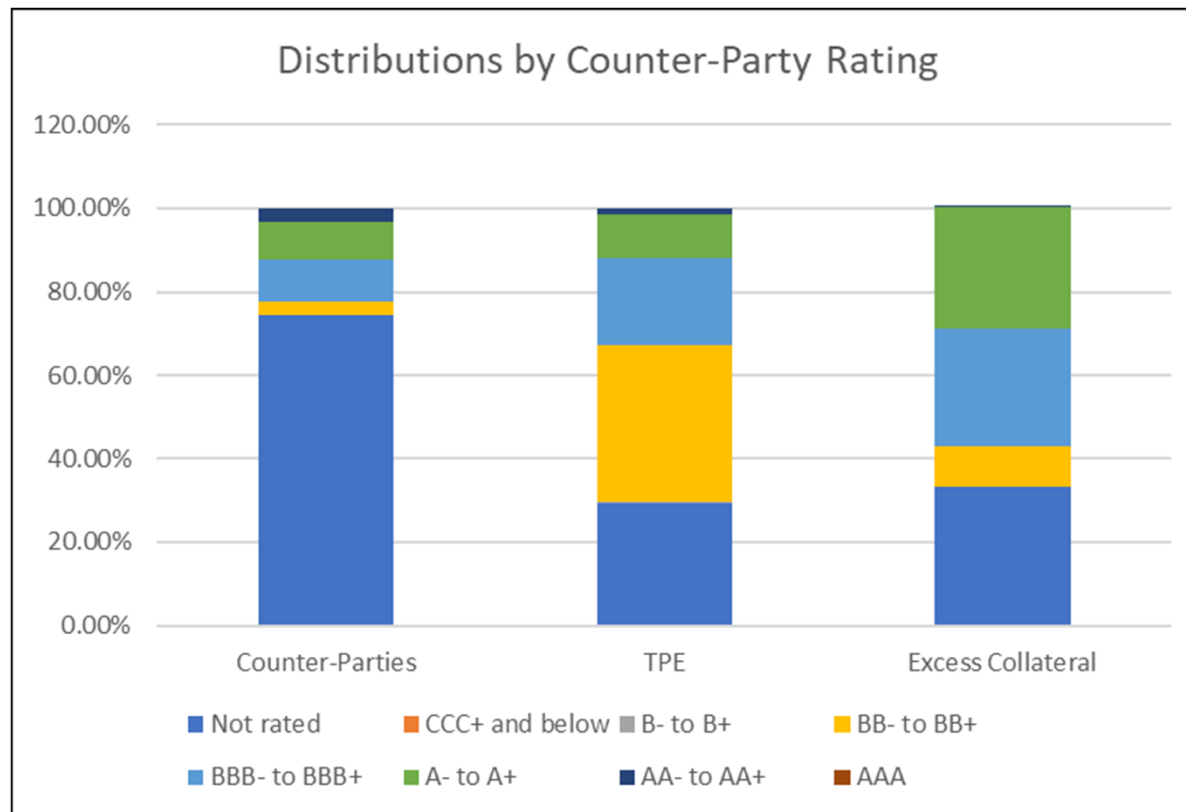
Discretionary collateral evidences seasonality, as it peaked in February 2021.



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

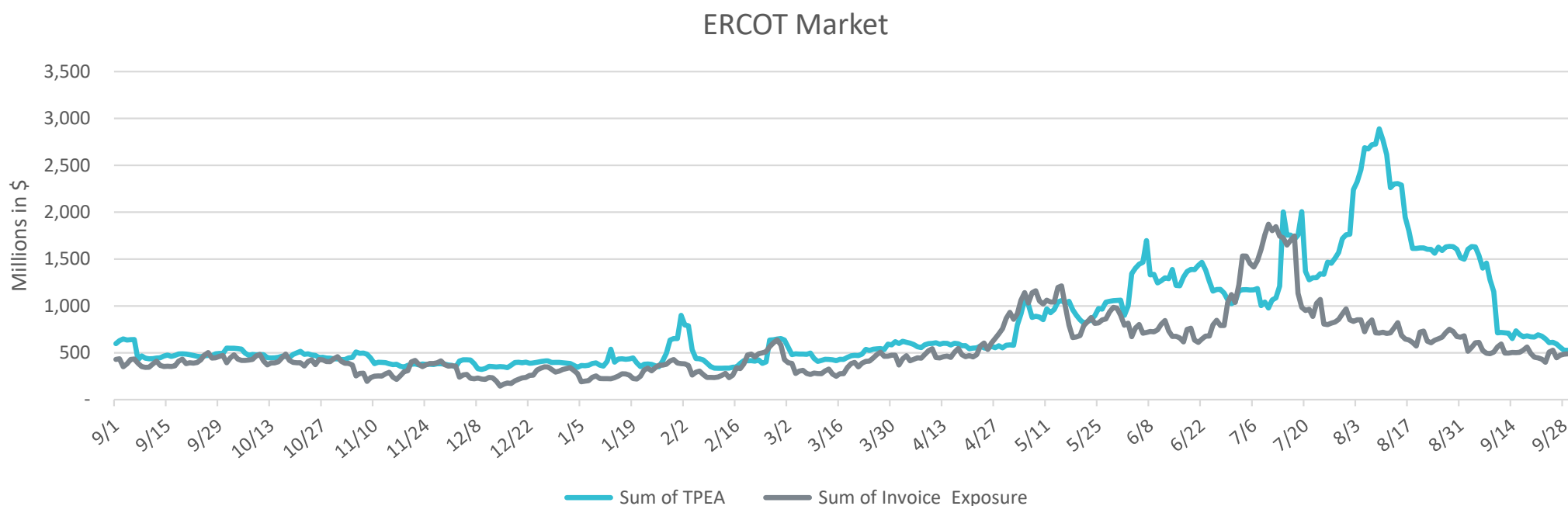
Distributions by Counter-Party Credit Rating

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



TPEA Coverage of Settlements September 2021– September 2022

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