



Item 8.4: Market Credit Update

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Reliability and Markets Committee Meeting

ERCOT Public

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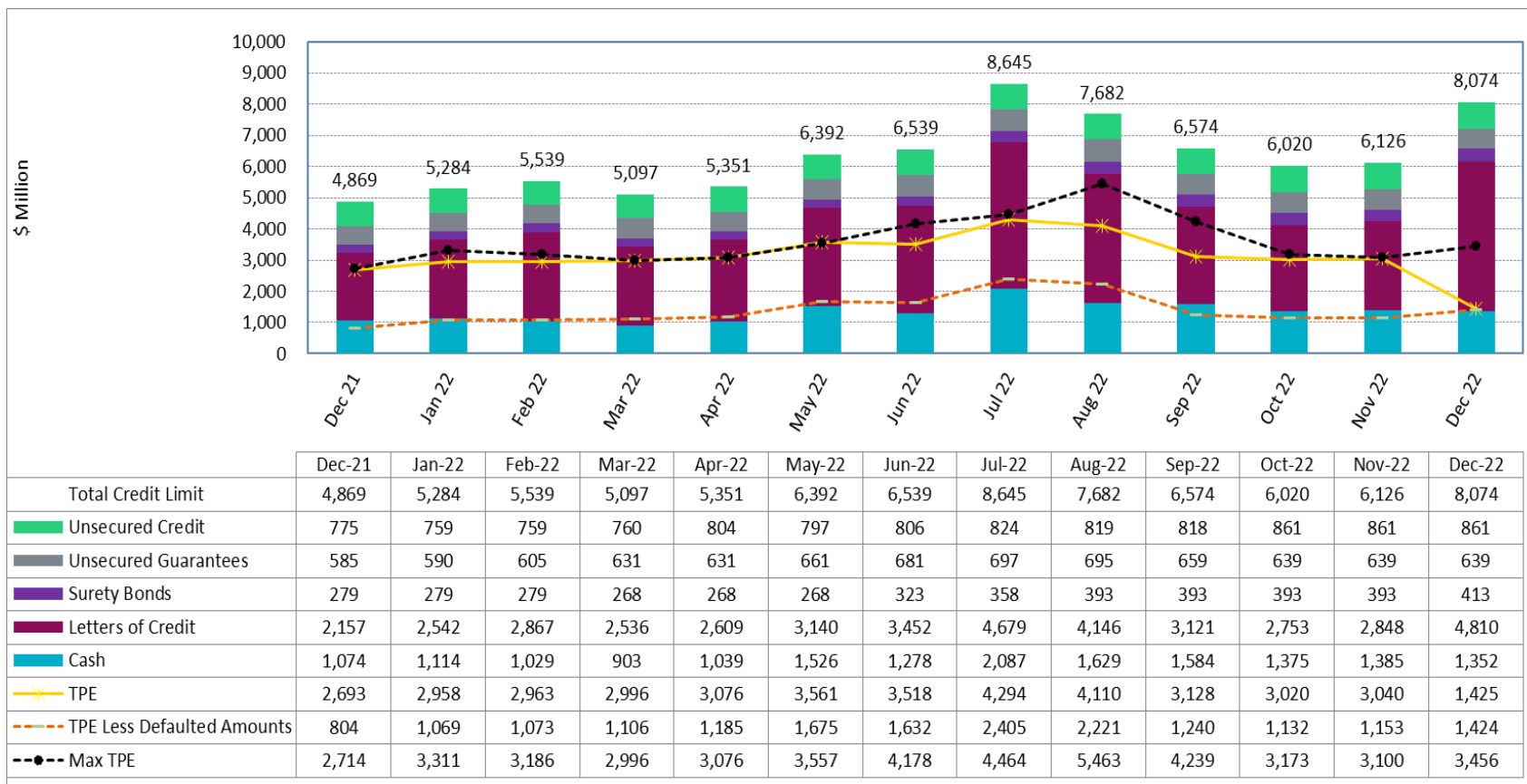
Market Credit Update: Overview

- **Purpose**
 - Provide an update on recent market credit activity
- **Voting Items / Requests**
 - No action is requested of the R&M Committee or Board; for discussion only
- **Key Takeaways**
 - No defaults or unusual collateral call activity
 - Outstanding Nodal Protocol Revision Requests (NPRRs)
 - NPRR1067, Market Entry Qualifications, Continued Participation Requirements, and Credit Risk Assessment – tabled at Protocol Revision Subcommittee (PRS)
 - NPRR1146, Credit Changes to Appropriately Reflect TAO Exposure
 - Market-wide average Total Potential Exposure (TPE) increased from \$1.17 billion in November 2022 to \$1.44 billion in December 2022
 - TPE increased mainly due to higher Forward Adjustment Factors and higher Real-Time and Day-Ahead Settlement Point Prices
 - Average Discretionary Collateral increased from \$2.60 billion in November 2022 to \$3.78 billion in December 2022

APPENDICES

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

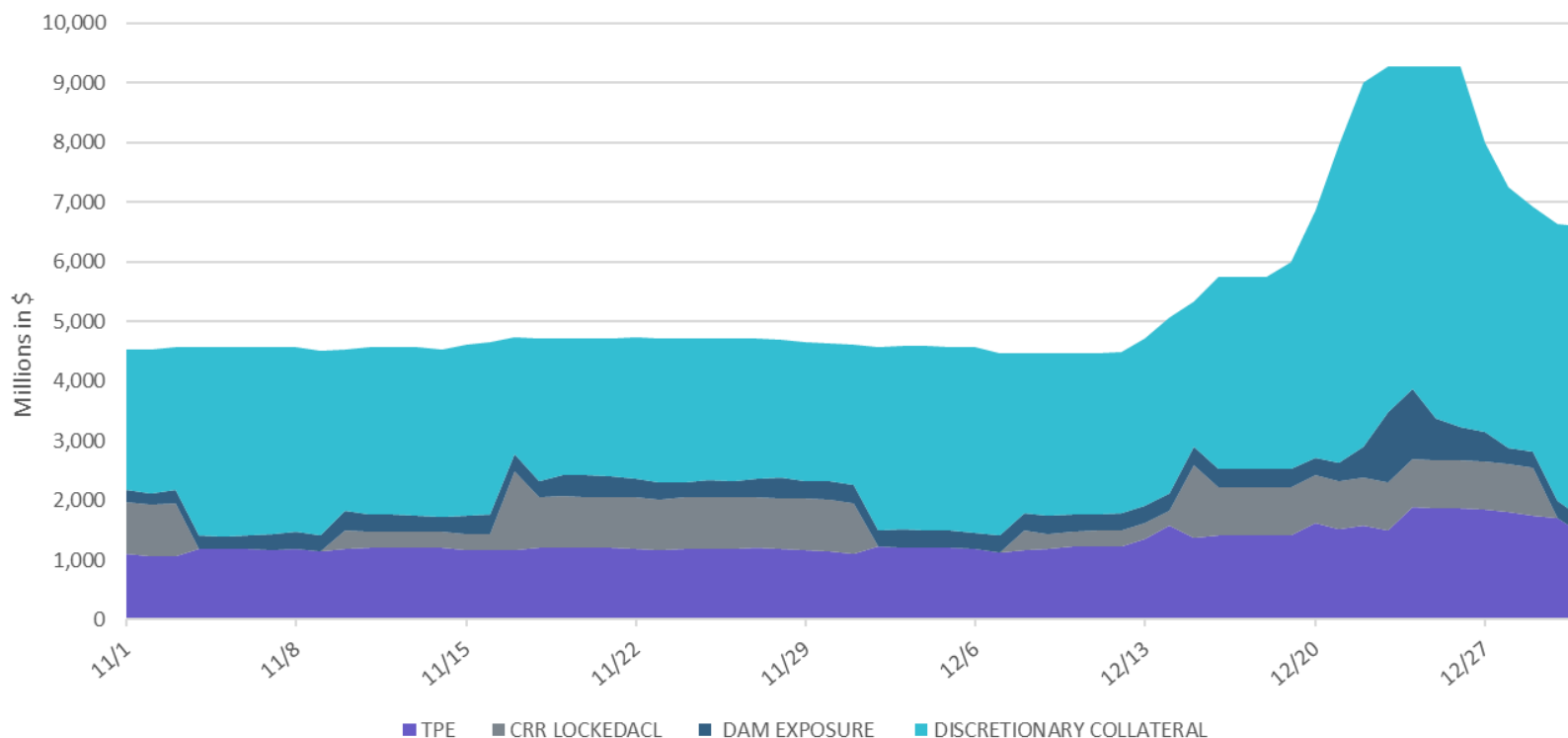
This shows TPE compared to the forms of collateral held.



- 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 November 2022 - December 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

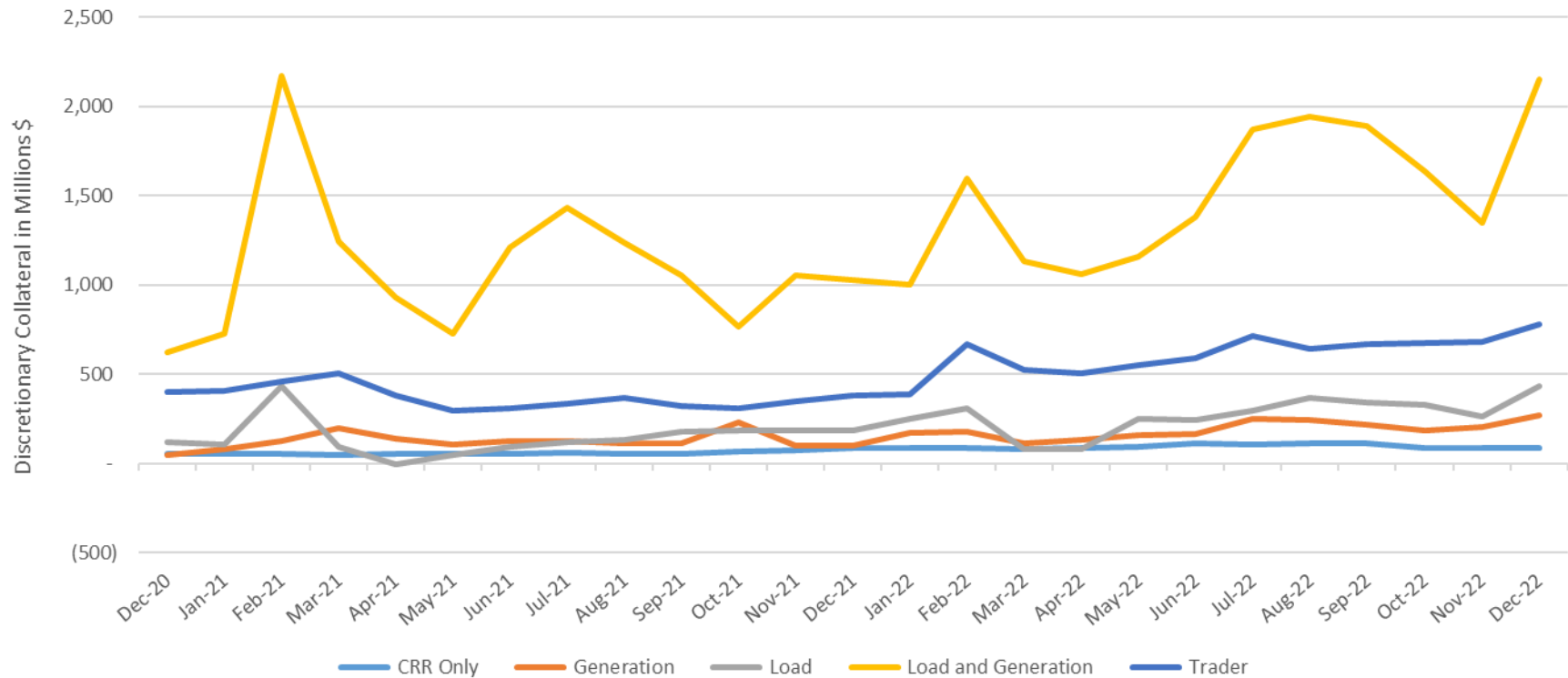


* Discretionary collateral doesn't include Unsecured Credit Limit or parent guarantees

* TPE adjusted to exclude short pay entities eliminating data skew

Discretionary Collateral by Market Segment December 2020 – December 2022

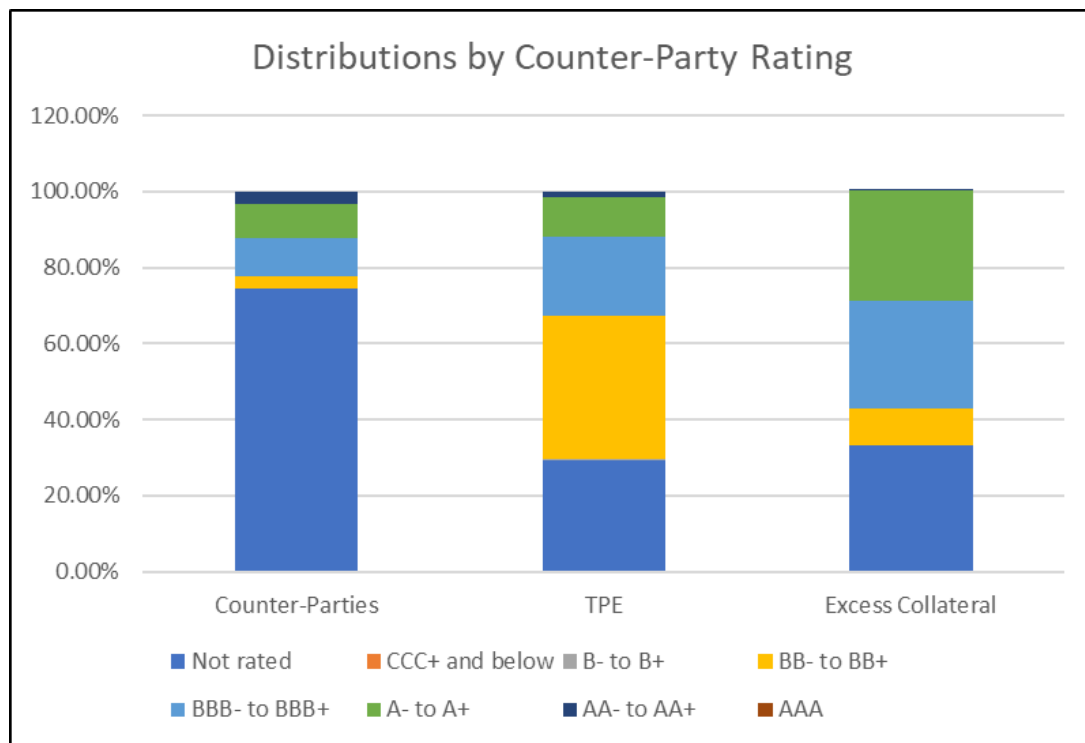
Discretionary collateral evidences seasonality, as it peaked in February 2021.



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

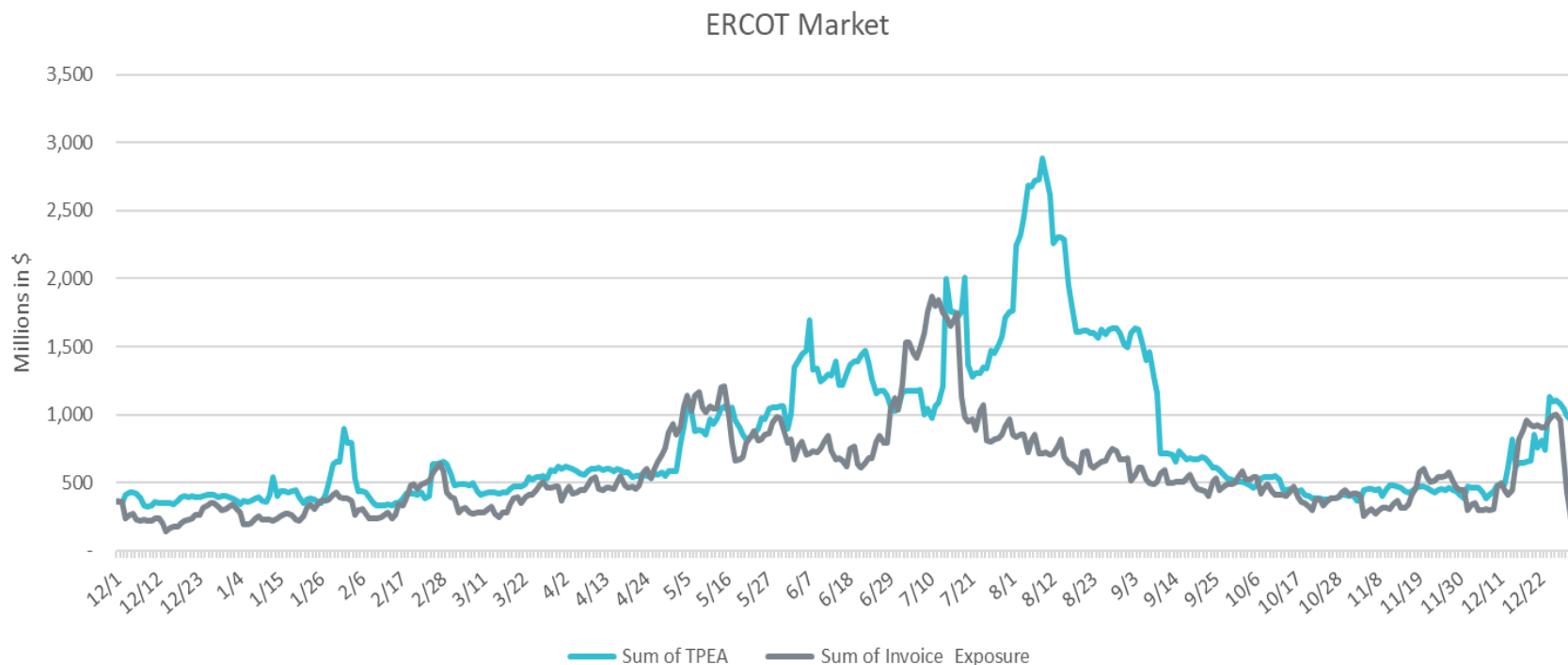
Distributions by Counter-Party Credit Rating

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 December 2021– December 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