



## **Item 5.2: Periodic Report on Investments**

*Leslie Wiley*  
Treasurer

Finance and Audit Committee Meeting

ERCOT Public  
April 18, 2023

# Overview

- **Purpose**

- To provide the Finance and Audit (F&A) Committee a periodic review of investment compliance and performance

- **Voting Items / Requests**

- No action is requested of the F&A Committee or Board; for discussion only

- **Key Takeaways**

- ERCOT is in compliance with all investment requirements
- As previously discussed, ERCOT's investment yields continue to increase. As of the end of February 2023, ERCOT's Money Market Mutual Fund ( MMMF ) yields equaled approximately 4.4% and the purchase yield of ERCOT's U.S. Treasury Obligation Portfolio equaled approximately 3.9%
- Bank deposit risk for ERCOT is mitigated by the investment strategy outlined in the Investment Corporate Standard. ERCOT attempts to match investments with anticipated cash flow requirements. Additionally, ERCOT uses large banks that are subject to Dodd-Frank requirements for banks with assets greater than \$250 billion

# Investment Compliance

Money Market Mutual Funds ( MMMF )	Compliance
Credit analysis reviewed by Investment Officer. MMMF must maintain a minimum rating consistent with the U.S. Government.	Yes
100% treasury analysis reviewed by Investment Officers. MMMF invested in U.S. Treasury Securities or a combination of U.S. Treasury Securities and repurchase agreements backed by U.S. Treasury Securities.	Yes
Concentration analysis reviewed by Investment Officers. No more than 10% of investable funds will be maintained in any one ERCOT Inc. MMMF.	Yes
Each MMMF has assets under management of at least \$1 billion.	Yes
There are no direct investments in any of the institutions listed in the divestment provisions as identified in Texas Government Code Chapter 809.	Yes
There are no MMMF listed in the divestment provisions as identified in Texas Government Code Chapter 809.	Yes

**Key Takeaway:** ERCOT is in compliance with all MMMF investment requirements

# Investment Compliance

U.S. Treasury Obligation Portfolio	Compliance
Review the portfolio to ensure investments are matched with anticipated cash flow requirements and in compliance with the Investment Management Agreement.	Yes
Investments will have a legal final maturity of not more than three years.	Yes
There are no direct investments in any of the institutions listed in the divestment provisions as identified in Texas Government Code Chapter 809.	Yes
There are no money market mutual funds listed in the divestment provisions as identified in Texas Government Code Chapter 809.	Yes

**Key Takeaway:** ERCOT is in compliance with all U.S. Treasury Obligation Portfolio investment requirements

**Electric Reliability Council of Texas, Inc.**  
**Investment Compliance**  
**February 28, 2023**  
(\$ in 000's)

	Funds Held at		Month End	Monthly Investment
	ERCOT	Trustee		
<b>Money Market Mutual Funds (MMMF)</b>	<b>(Ending Balance)</b>	<b>(Ending Balance)</b>	<b>Yield</b>	<b>Income</b>
ERCOT, Inc. Unrestricted	\$ 1,556,879	\$ -	N/A	\$ 5,421
ERCOT, Inc. Restricted (Collateral)	1,311,527	-	N/A	4,201
Total ERCOT, Inc. MMMF	\$ 2,868,406	\$ -	4.45%	\$ 9,622
Texas Electric Market Stabilization Funding M, LLC	\$ 17,767	\$ 10,613	4.44%	\$ 89
Texas Electric Market Stabilization Funding N, LLC	\$ 2,773	\$ 23,668	4.46%	\$ 71

	Purchase Price	Duration	Purchase Yield	Monthly Investment
<b>U.S. Treasury Obligation Portfolio</b>				
ERCOT, Inc. Unrestricted	\$ 505,319	0.35	3.87%	\$ 1,409

**Statement of Compliance**

Upon a review of the investment activity, I have no knowledge of any ERCOT action that does not comply with that required by the Investment Corporate Standard since the last report provided to the Finance and Audit Committee.

**Money Market Mutual Funds (MMMF)**

- Credit analysis must maintain a minimum rating consistent with the U.S. Government.
- 100% treasury analysis reviewed by Investment Officers. MMMF invested in U.S. Treasury Securities or a combination of U.S. Treasury Securities and repurchase agreements backed by U.S. Treasury Securities.
- Concentration analysis reviewed by Investment Officers. No more than 10% of investable funds will be maintained in any one ERCOT, Inc. MMMF.
- Each MMMF has assets under management of at least \$1 billion.
- There are no direct investments in any of the institutions listed in the divestment provisions as outlined in Texas Government Code Chapter 809.
- There are no MMMF listed in the divestment provisions as outlined in Texas Government Code Chapter 809.

**U.S. Treasury Obligation Portfolio**

- Review the portfolio to ensure investments are matched with anticipated cash flow requirements and in compliance with the Investment Management Agreement.
- Investments will have a legal final maturity of not more than three years.
- There are no direct investments in any of the institutions listed in the divestment provisions as outlined in Texas Government Code Chapter 809.
- There are no MMMF listed in the divestment provisions as outlined in Texas Government Code Chapter 809.

Signature on File

Sean Taylor Vice President and CFO

Note: Investment monthly holdings are available for review upon request.  
Note: Schedule may not foot due to rounding.



# Deposit Risk

- The Silicon Valley Bank (SVB) failure left customers' deposits at risk when regulators shuttered SVB and seized its deposits
- Per the Investment Corporate Standard most of ERCOT's cash including collateral is invested in Money Market Mutual Funds (MMMF). Those funds can only include United States Treasury securities and Repurchase Agreements backed by United States Treasury securities.
- ERCOT invests so bond maturities do not exceed anticipated cash flow requirements. This is accomplished through the bond portfolio laddered approach with ERCOT typically holding bond investments to maturity. This helps ensure ERCOT is not exposed to potential losses during rising interest rate environments
- Some cash may remain uninvested to meet liquidity needs or address unusual situations as they arise. Additionally, there may be timing issues and we may receive cash after investments close.
- ERCOT's bank accounts are with JPMorgan and USBank and have the standard Federal Deposit Insurance Corporation (FDIC) limit, currently \$250,000. Both of these are large banks subject to Frank-Dodd requirements for banks with assets greater than \$250 billion

**Key Takeaway:** ERCOT has deposit risk which is mitigated by the banks' adherence to Dodd-Frank and ERCOT's investment strategy

# Investment Compliance

## Appendices

**Electric Reliability Council of Texas, Inc.**  
**Money Market Mutual Funds (MMMF)**  
**February 28, 2023**  
(\$ in 000's)

MMMF	Unrestricted	Restricted	Total Ending	Percentage	Month	Unrestricted	Restricted	Total
	Ending Balance	Ending Balance				Balance	Investment	
				of Portfolio	End Yield	Income	Income	Income
Allspring 100% Treasury Money Market Fund (Admin)	\$ -	\$ 308	\$ 308	0.0%	4.31%	\$ -	\$ 1	\$ 1
Allspring Treasury Plus Money Market Fund (Institutional)	700	254,155	254,855	8.9%	4.38%	69	708	777
BlackRock Institutional T-Fund (60) MMF	310	238,683	238,993	8.3%	4.43%	1	760	761
BlackRock Institutional Treasury Trust Fund MMF	1,050	471	1,521	0.1%	4.46%	3	2	5
Dreyfus Treasury Prime Cash Management MMF	11,690	165,976	177,666	6.2%	4.43%	64	591	656
Federated Fund 0125 US Treasury Cash Reserves Fund	600	615	1,215	0.0%	4.40%	2	2	4
Federated Fund 068 Treasury Obligations Fund	249,700	162	249,862	8.7%	4.42%	844	2	846
Fidelity 680 Institutional MMF: Treasury Only Portfolio	500	1,720	2,220	0.1%	4.47%	2	6	7
Fidelity Investments Money Market Treasury Portfolio (Class I)	252,100	665	252,765	8.8%	4.49%	866	2	868
First Amer Treas Oblig/CI Z	249,650	275	249,925	8.7%	4.43%	857	1	858
Goldman Sachs Treasury Instruments Fund 506	1,000	106,759	107,759	3.8%	4.47%	3	322	325
Invesco Institutional Treasury Portfolio	261,978	495	262,473	9.2%	4.50%	892	2	894
JPMorgan U.S. Treasury Plus Money Market Fund (Institutional)	456	215,387	215,843	7.5%	4.43%	829	27	857
Morgan Stanley Fund 8304 Treasury	18,890	198,246	217,136	7.6%	4.42%	75	692	767
State Street Global Advisors Institutional Treasury MMF	200	126,989	127,189	4.4%	4.47%	1	386	386
UBS Select Treasury Preferred Fund 46	258,055	571	258,626	9.0%	4.50%	881	2	883
Western Asset Institutional US Treasury Reserves	250,000	50	250,050	8.7%	4.46%	31	694	726
<b>Total MMMF</b>	<b>\$ 1,556,879</b>	<b>\$ 1,311,527</b>	<b>\$ 2,868,406</b>	<b>100%</b>	<b>4.45%</b>	<b>\$ 5,421</b>	<b>\$ 4,201</b>	<b>\$ 9,622</b>

Note: Schedule may not foot due to rounding.





**Texas Electric Market Stabilization Funding M, LLC**  
**Money Market Mutual Funds (MMMF)**  
**February 28, 2023**  
(\$ in 000's)

	Ending Balance	Month End Yield	Monthly Investment Income
<b>MMMF held at ERCOT, Inc.</b>			
<b>Capital</b>			
JPMorgan U.S. Treasury Plus Money Market Fund (Institutional)	\$ 4,071	4.40%	\$ 14
	4,071	4.40%	14
<b>Escrow (Collateral)</b>			
BlackRock Liquidity Funds: T-Fund	3,110	4.43%	10
Invesco Treasury Portfolio	3,462	4.47%	12
Morgan Stanley Institutional Liquidity Funds: Treasury Portfolio	3,613	4.42%	12
UBS Select Treasury Preferred Fund	3,512	4.50%	12
Total Escrow (Collateral) MMMF	13,696	4.45%	46
<b>Total MMMF held at ERCOT, Inc.</b>	<b>17,767</b>	<b>4.44%</b>	<b>60</b>
<b>MMMF held at Trustee</b>			
<b>Debt Service</b>			
First Am Treas Ob Fund	3,261	4.43%	4
Invesco Treasury Portfolio/Instit	2,334	4.51%	8
Total Debt Service MMMF	5,595	4.47%	12
<b>Debt Service Reserve</b>			
Allspring Treasury Plus Money Market Fund (Institutional)	4,015	4.39%	13
JPMorgan TR I 100 US TR Cap	1,003	4.41%	3
Total Debt Service Reserve MMMF	5,018	4.40%	17
<b>Total MMMF held at Trustee</b>	<b>10,613</b>	<b>4.43%</b>	<b>29</b>
<b>Total TEMSFM MMMF</b>	<b>\$ 28,380</b>	<b>4.44%</b>	<b>\$ 89</b>

Note: Schedule may not foot due to rounding.



**Texas Electric Market Stabilization Funding N, LLC**  
**Money Market Mutual Funds ( MMMF )**

**February 28, 2023**

(\$ in 000's)

	<b>Ending Balance</b>	<b>Month End Yield</b>	<b>Monthly Investment Income</b>
<b>MMMF held at ERCOT, Inc.</b>			
<b>Escrow (collateral)</b>			
BlackRock Liquidity Funds: T-Fund	\$ 1,387	4.43%	\$ 5
Morgan Stanley Institutional Liquidity Funds: Treasury Portfolio	1,387	4.42%	5
<b>Total MMMF held at ERCOT, Inc.</b>	<b>2,773</b>	<b>4.42%</b>	<b>9</b>
<b>MMMF held at Trustee</b>			
<b>Debt Service</b>			
Invesco Treasury Portfolio Institutional	12,937	4.51%	27
Total Debt Service MMMF	12,937	4.51%	27
<b>Capital</b>			
JPMorgan TR I 100 US TR Cap	10,731	4.41%	36
Total Capital MMMF	10,731	4.41%	36
<b>Total MMMF held at Trustee</b>	<b>23,668</b>	<b>4.46%</b>	<b>62</b>
<b>Total TEMSFN MMMF</b>	<b>\$ 26,442</b>	<b>4.46%</b>	<b>\$ 71</b>

Note: Schedule may not foot due to rounding.



**Electric Reliability Council of Texas, Inc.**  
**Summary of U.S. Treasury Obligation Portfolio Results**  
**February 28, 2023**  
(\$ in 000's)

<b>Maturity Date</b>	<b>Par Value</b>	<b>Coupon Rate</b>	<b>Current Market Price</b>	<b>Current Market Yield</b>	<b>Purchase Price</b>	<b>(Discount) / Premium</b>	<b>Purchase Yield</b>	<b>Monthly Investment Income</b>	<b>Duration</b>
03/31/23	\$ 50,000	0.125%	\$ 49,837	4.58%	\$ 49,162	\$ 838	3.24%	\$ 134	0.06
04/30/23	50,000	0.125%	49,631	4.78%	48,989	1,011	3.37%	139	0.14
05/31/23	50,000	0.125%	49,424	4.86%	48,857	1,143	3.36%	139	0.23
06/30/23	101,495	0.125%	99,906	4.91%	99,223	2,272	4.10%	321	0.31
07/31/23	101,435	0.125%	99,404	4.99%	98,932	2,503	4.26%	143	0.39
08/31/23	50,000	0.125%	48,795	5.07%	48,343	1,657	3.59%	146	0.47
09/30/23	50,000	1.375%	49,221	5.12%	49,189	811	3.51%	144	0.54
10/31/23	63,525	2.875%	63,218	5.09%	62,623	902	4.64%	242	0.62
Cash	19	-	-	-	-	-	-	-	-
<b>Total Investments</b>	<b>\$ 516,474</b>		<b>\$509,437</b>	<b>4.93%</b>	<b>\$505,319</b>	<b>\$ 11,136</b>	<b>3.87%</b>	<b>\$ 1,409</b>	<b>0.35</b>

Note: Schedule may not foot due to rounding.