

CRR Collateral Update

June 24th, 2026

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Agenda

- ➔ • **CRR Collateral Gap Analysis**
- **Potential CRR Collateral Reforms**

Data Cross Calibration Update

- **DC Energy is working with ERCOT Credit Staff to cross calibrate the data presented**
 - We have aligned CRR Obligation and Option positions, collateral and settlement for select portfolios
 - We are currently working to calibrate our gap analysis across all participants' portfolios
- **We identified an issue in how DC Energy was aggregating a small set of affiliates. This resulted in missing collateral for several counterparties**
 - Fixing the issue resulted in a 75% reduction in the negative gaps in the status quo
 - The ratio of Positive to Negative gap is now 2,785:1 compared to 600:1 as previously presented

Negative Gap Summary

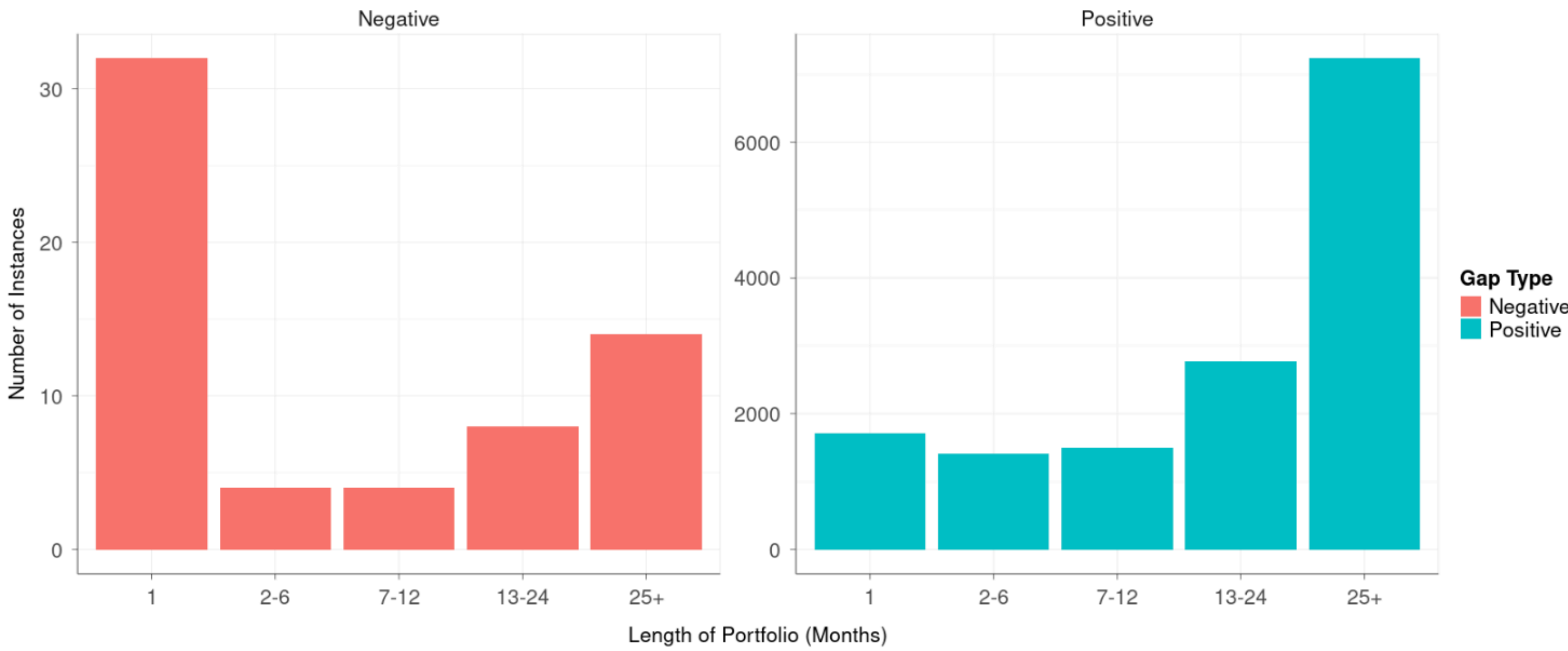
- 2018-03-01 to 2026-03-31 -

	Negative Gaps	Postive Gaps
Number of Instances	62	14,633
Companies	30	212
Largest Gap	\$1.7 MM	\$309.9 MM
Median Gap	\$90k	\$15k
Average Portfolio Size	1.8 TWh	10.5 TWh
Average Portfolio Length	10 Months	20 Months

Note: The majority of negative gap dollars are amongst physical entities whose CRR activity appears to be hedging. It is unlikely these negative gaps would result in a default.

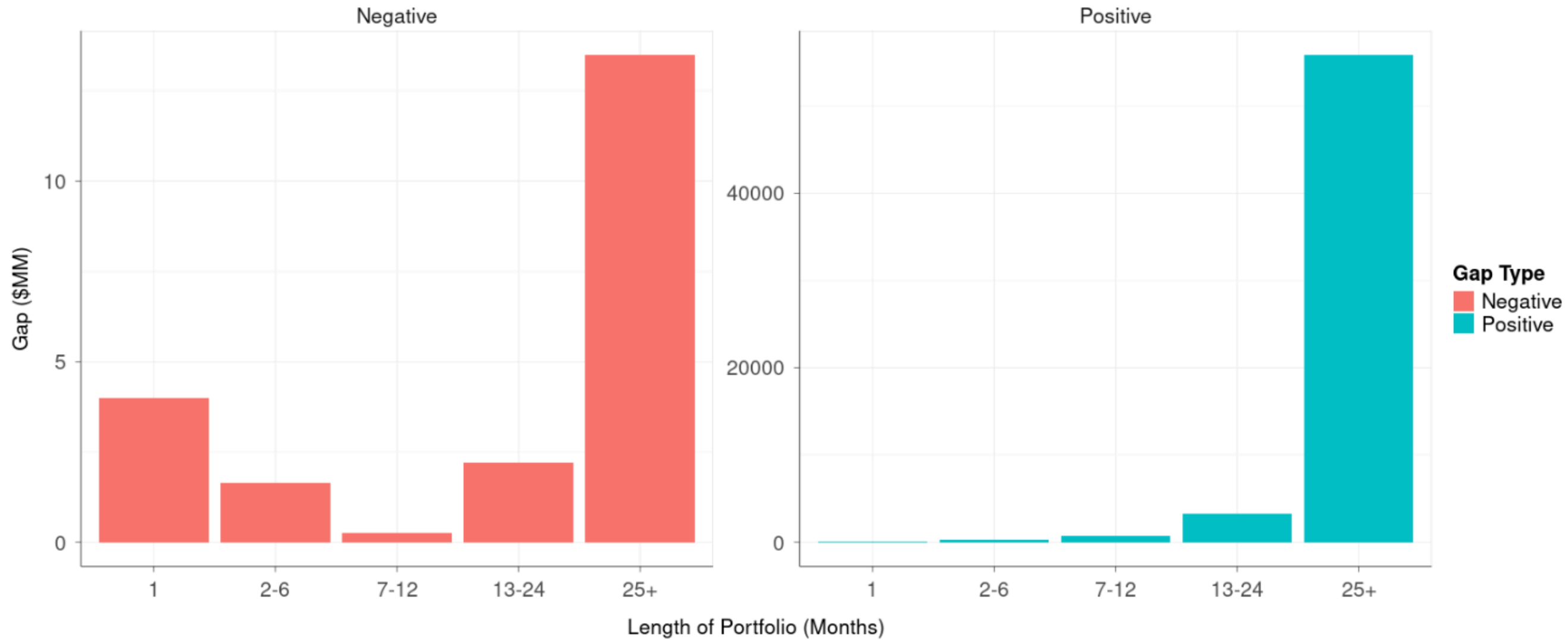
Gap Instances by Portfolio Length

- 2018-03-01 to 2026-03-31 -



Gap Amounts by Portfolio Length

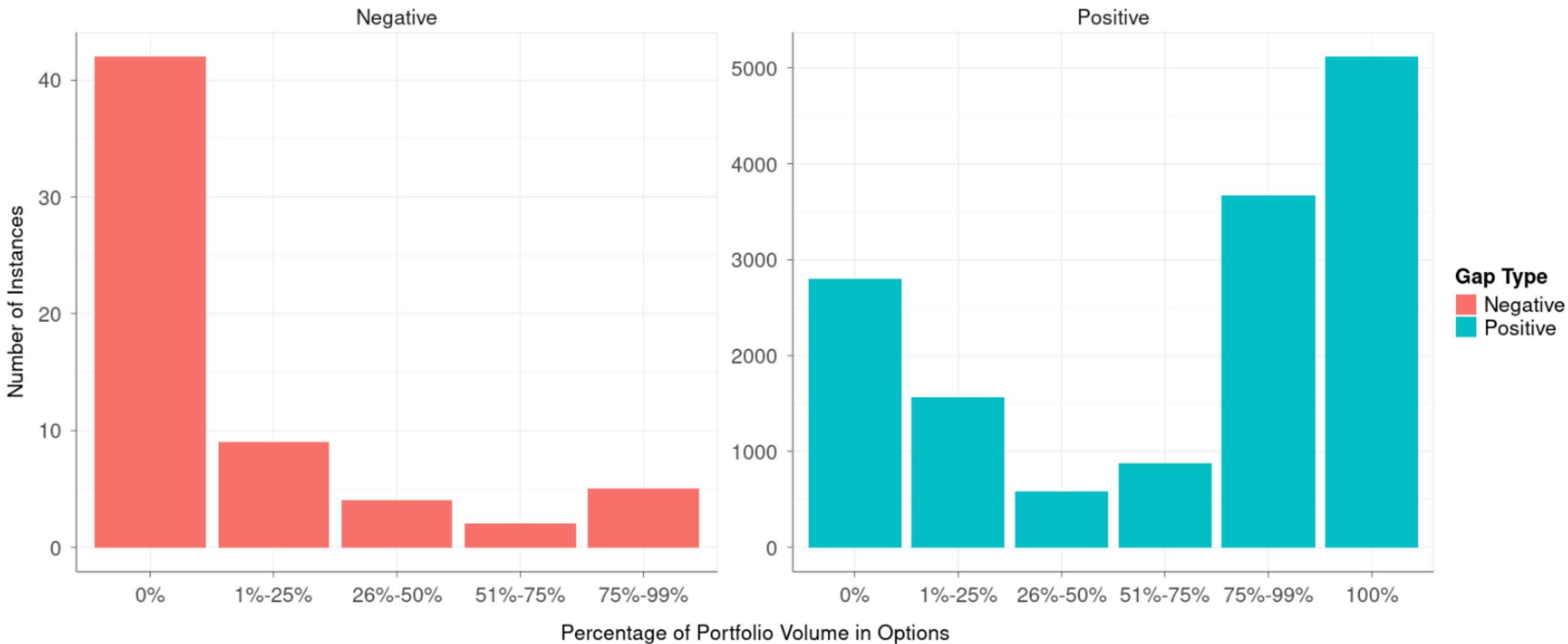
- 2018-03-01 to 2026-03-31 -





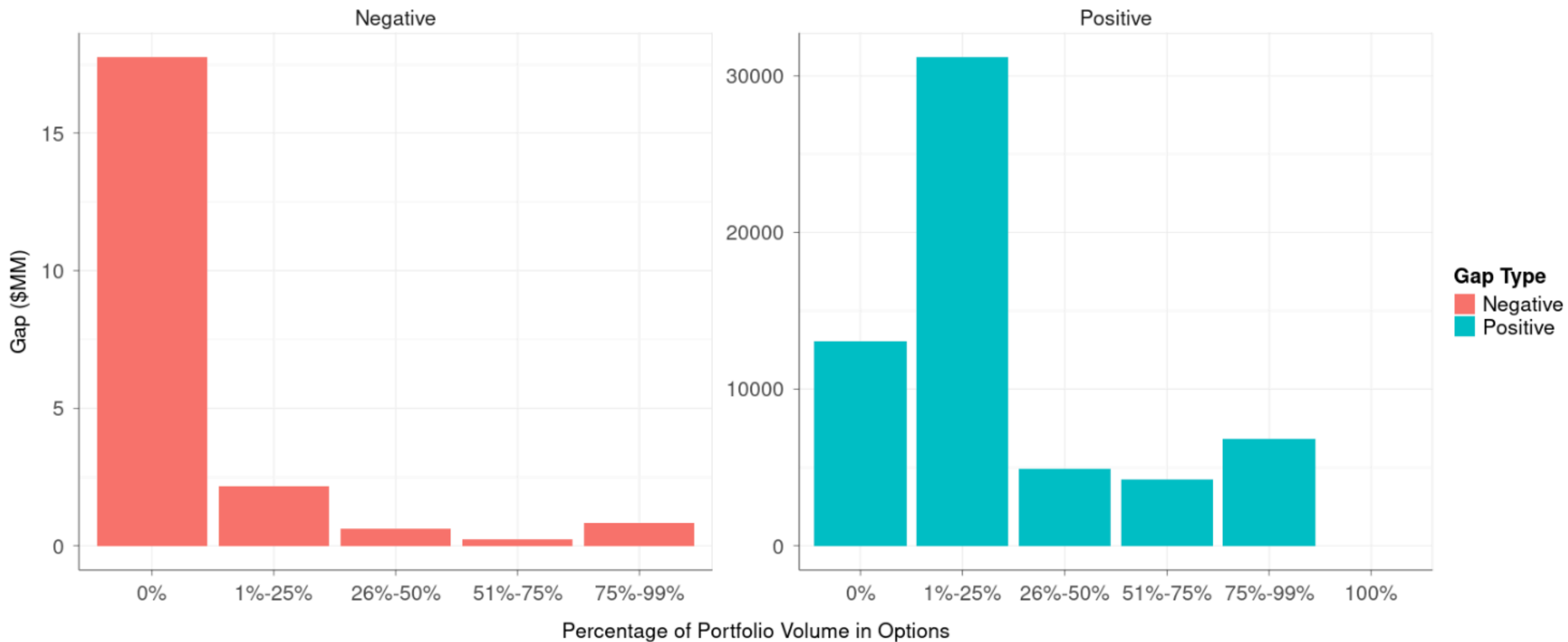
Gap Instances by Option Volume

- 2018-03-01 to 2026-03-31 -



Gap Amount by Option Volume

- 2018-03-01 to 2026-03-31 -





Agenda

- **CRR Collateral Gap Analysis**
- ➔ • **Reform Proposals**

Mark to Auction Application

- **Currently Mark to Auction for Obligation CRRs is only applied if the exact CRR path is traded in an Auction**
 - In a typical auction, this occurs for roughly 88% of volume of outstanding CRRs
- **Auction solutions are based on constraints, not paths. The solution provides a valid price signal for all CRR paths regardless of whether they traded in that auction or not**
- **DC Energy recommends that ERCOT update the Mark to Auction for all CRRs for each auction when doing collateral calculations**
- **Mark to Auction currently is not applied to Options. This is something the group should consider and discuss**



Methodology to Evaluate Proposals

- **Proposals should be evaluated based upon the total cost to members**
- **Default Costs:**
 - Assume all negative gaps end up in default. This is conservative as most deficiencies are cured by members
- **Opportunity Costs:**
 - Assume members have a 10% investment hurdle. This results in 6% opportunity cost above risk free rate paid by ERCOT
- **Status quo has \$33.6MM in annual costs to members**
 - Default Costs of \$0.2MM/year
 - Opportunity Costs of \$33.4MM/year