

**Agenda Item 8**  
**Committee Brief - Credit**  
**Summary Benchmark Report as of November 30, 2011**

	<b># of CPs</b>	<b>Ave Gen Vol</b> (in MWh)	<b>Ave Load Vol</b> (in MWh)	<b>% CPs</b>	<b>% Gen Vol</b>	<b>% Load Vol</b>	<b>CP TPE</b> (in 000's)	<b>Low Benchmark</b> (in 000's)	<b>High Benchmark</b> (in 000's)
<b>Between High and Low</b>									
w/ No Load and No Generation	111	-	-				<b>24,586</b>	23,277	25,521
w/ Load and/or Generation	66	518,092	529,432				<b>345,565</b>	259,601	494,560
Total	177	518,092	529,432	74%	71%	72%	<b>370,151</b>	282,878	520,082
<b>Above High</b>									
w/ No Load and No Generation	24	-	-				<b>24,361</b>	10,189	13,029
w/ Load and/or Generation	27	130,708	184,740				<b>238,797</b>	88,069	164,001
Total	51	130,708	184,740	21%	18%	25%	<b>263,158</b>	98,258	177,030
<b>Below Low</b>									
w/ No Load and No Generation	2	-	-				<b>(173)</b>	-	-
w/ Load and/or Generation	8	84,445	24,295				<b>4,608</b>	7,972	21,497
Total	10	84,445	24,295	4%	12%	3%	<b>4,435</b>	7,972	21,497
<b>Total as of November 30, 2011</b>	<b>238</b>	<b>733,245</b>	<b>738,467</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>637,744</b>	<b>389,108</b>	<b>718,609</b>
<b>Total as of October 31, 2011</b>	<b>234</b>	<b>791,466</b>	<b>796,653</b>				<b>756,366</b>	<b>129,327</b>	<b>497,559</b>

**Agenda Item 8  
Committee Brief - Credit  
Benchmark Assumptions**

		Forward Risk Estimate				
		Volume Component			Price Component	
Historical Risk		Basis	# of days	Factor	Basis	Price volatility factor
<b>Low Benchmark</b>						
Counter-Parties - Load only	Outstanding receivable/payable - invoiced and estimated	30-day average total load volume	2	1.0	Avg real time price - floor - \$25, cap - \$50	1.0
Counter-Parties - Generation only	Outstanding receivable/payable - invoiced and estimated	30-day average total generation volume	2	0.2	Avg real time price - floor - \$25, cap - \$50	1.0
Counter-Parties - neither Load or Generation	Outstanding receivable/payable - invoiced and estimated	30-day average imbalance volume (real time activity)	2	1.0	Avg real time price - floor - \$25, cap - \$50	1.0
<b>High Benchmark</b>						
Counter-Parties - Load only	Outstanding receivable/payable - invoiced and estimated	Highest total load volume over past 30-days	9	1.0	Avg real time price - floor - \$25, cap - \$50	1.5
Counter-Parties - Generation only	Outstanding receivable/payable - invoiced and estimated	Highest total generation volume over past 30-days	6	0.2	Avg real time price - floor - \$25, cap - \$50	1.5
Counter-Parties - neither Load or Generation	Outstanding receivable/payable - invoiced and estimated	Highest imbalance volume over past 30-days (real time activity)	6	1.0	Avg real time price - floor - \$25, cap - \$50	1.5
		Highest DAM sales volume over past 30-days	2	1.0	Avg real time price - floor - \$25, cap - \$50	1.5

**Note 1: If an entity has both load and generation volume, the greater of the two estimates is used in the Benchmark**

**Agenda Item 8**  
**Committee Brief - Credit**  
**ERCOT Market Credit Status**

as of 10/31/2011

as of 11/30/2011

**Exposure in the ERCOT Market (owed to ERCOT)**

**QSEs that meet ERCOT Creditworthiness Standards**

Ratings over BBB-

# of CPs*	Total Potential Exposure (\$)	% of TPE	Total Credit Limit		
9	76,709,547	10%	485,983,750	U	
<u><b>QSEs that do not meet ERCOT Creditworthiness Standards</b></u>					
Ratings below BBB- or not rated					
Cash & Letters of Credit	76	496,268,316	66%	2,672,438,724	S
Guarantee Agreements	24	184,253,033	24%	894,432,086	S
<b>Total Exposure</b>	<b>109</b>	<b>757,230,896</b>	<b>100%</b>	<b>4,052,854,560</b>	

# of CPs*	Total Potential Exposure (\$)	% of TPE	Total Credit Limit		
11	67,084,010	11%	495,256,947	U	
<u><b>QSEs that do not meet ERCOT Creditworthiness Standards</b></u>					
Ratings below BBB- or not rated					
Cash & Letters of Credit	67	414,374,004	65%	1,271,019,747	S
Guarantee Agreements	28	158,821,184	25%	900,345,821	S
<b>Total Exposure</b>	<b>106</b>	<b>640,279,198</b>	<b>100%</b>	<b>2,666,622,515</b>	

**Other QSEs in the ERCOT Market (ERCOT owes)**

**QSEs that meet ERCOT Creditworthiness Standards**

Ratings over BBB-

19	(27,580)	-3%	347,138,517	U	
<u><b>QSEs that do not meet ERCOT Creditworthiness Standards</b></u>					
Ratings below BBB- or not rated					
Cash & Letters of Credit	94	(837,634)	-97%	136,467,898	S
Guarantee Agreements	12	-	0%	75,497,563	S
<b>Total</b>	<b>125</b>	<b>(865,214)</b>	<b>-100%</b>	<b>559,103,978</b>	

17	(319,770)	-13%	337,938,988	U	
<u><b>QSEs that do not meet ERCOT Creditworthiness Standards</b></u>					
Ratings below BBB- or not rated					
Cash & Letters of Credit	103	(2,214,962)	-87%	168,793,347	S
Guarantee Agreements	12	-	0%	50,502,563	S
<b>Total</b>	<b>132</b>	<b>(2,534,732)</b>	<b>-100%</b>	<b>557,234,898</b>	

**Total**

<b>234</b>	<b>756,365,682</b>		<b>4,611,958,538</b>	
------------	--------------------	--	----------------------	--

<b>238</b>	<b>637,744,466</b>		<b>3,223,857,412</b>	
------------	--------------------	--	----------------------	--

U: For QSEs that meet ERCOT's Creditworthiness Standards, amount of unsecured credit granted.  
 S: For QSEs that do not meet ERCOT's Creditworthiness Standards, amount of Security posted.

Note 1: Guarantee Agreements provided to meet a QSE's collateral requirements by entities that meet ERCOT's Creditworthiness Standards. Guarantee Agreements provided to meet financial statement requirements by entities that do not meet ERCOT's Creditworthiness Standards are not included on this schedule.

Note 2: In October, TPE came down approximately \$0.5 billion from September 30th and \$0.7 billion from the high at August 31 and is comparable to the July 31st balance of \$0.7 billion. Although exposure decreased, collateral increased by \$1.2 billion as Counter-Parties entered the Annual CRR Auction.

Note 3: In November, overall TPE went down \$0.1 billion, made up of a) reduction in CCE by approximately \$0.4 billion as the last of the high priced August activity rolled off and b) increase in FCE by approximately \$0.3 billion as the CRRs from the annual auction were collateralized for mark-to-market.

December 12, 2011

Supplemental Finance and Audit Committee Meeting Materials

Page 3 of 5

ERCOT

Finance and Audit Committee

2011 Annual Meeting Planner and Future Agenda Items - NOVEMBER MEETING CANCELLED

Task Description	Charter Page #	Month											
		J	F	M	A	M	J	J	A	S	O	N	D
1 Elect Committee officers and designate a secretary	2 & 7	A											
2 Review and assess adequacy of Committee charter	6	A	A										
3 Review and recommend investment standard	3			A					A				
4 Review and recommend financial standard	3			A									
5 Handling of complaints regarding financial matters	5		A										
6 Hiring former employees of the independent auditor	4		A										
7 Review and recommend credit standard	3			A									
8 Receive periodic report on Credit Work Group activity	na	A								A			
9 Approve Credit Work Group Charter	na			A									
10 Appoint Credit Work Group Chair and Vice Chair	na		A										
11 Review risk policies and risk management practices	6					A							A
12 Undertake annual self-evaluation	8	A									A		A
13 Periodic meeting with senior management	6							A					
14 Review and approve internal audit charter	6			A									
15 Periodic meeting with Chief Audit Executive	6 & 7	A	A	A	A	A	A	A	A	A	A		A
16 Review internal audit reports	6	A	A	A	A	A	A	A	A	A	A		A
17 Review Ethics Point issues	na	A	A	A	A	A	A	A	A	A	A		A
18 Review effectiveness of internal audit functions	6												A
19 Review and approve annual internal audit plan	6									A	A		A
20 Review performance of the Chief Audit Executive	7												A
21 Recommend selection of independent auditor	4										A		
22 Receive independence report from independent auditor	4										A		
23 Periodic meeting with independent auditor	5				A						A		
24 Discuss audited financial statements	5				A								
25 Review and accept financial statement audit	5				A								
26 Review and recommend proposed budget	3					A	A	A	A				
27 Review and recommend debt structure	3						A	A	A				
28 Review IRS Form 990	na							A					
29 Review and accept 401(k) audit report	5								A				
30 Review and accept SSAE 16 audit report	5			A									A
31 Review Committee briefs	na	A	A	A	A	A	A	A	A	A	A		A
32 Receive periodic investment report	na		A			A			A				A
33 Receive periodic liquidity report	na			A									
34 Quarterly Committee education on accounting developments	5			A			A			A			A
35 Review financial institutions - market participants	6			A						A			
36 Receive periodic Potential Future Exposure report	na												
37 Preapprove non-audit services	4				A								
38 Review any report by independent auditor	4	Performed on as-needed basis											
39 Review effect of regulatory accounting initiatives	5	Performed on as-needed basis											
40 Review complaints regarding financial statements	5			A	A								
41 Review press stories regarding financial statements	5	Performed on as-needed basis											
42 Periodic meeting with 401(k) auditor	na												A
43 Periodic meeting with SSAE 16 auditor	na												A
44 Review proposed audit of the nodal program	na		A										
45 Review credit procedures, practices, and judgments	na		A	A	A	A							
46 Commodity Exchange Act exemption	na				A	A	A	A	A	A	A		A
47 Generation interconnection fee	na				A		A						

ERCOT

Finance and Audit Committee

2012 Annual Meeting Planner and Future Agenda Items

Task Description	Charter Page #	Month											
		J	F	M	A	M	J	J	A	S	O	N	D
1 Elect Committee officers and designate a secretary	2 & 7												
2 Review and assess adequacy of Committee charter	6		█										
3 Review and recommend investment standard	3		█										
4 Review and recommend financial standard	3		█										
5 Handling of complaints regarding financial matters	5		█										
6 Hiring former employees of the independent auditor	4		█										
7 Review and recommend credit standard	3												
8 Receive periodic report on Credit Work Group activity	na										█		
9 Approve Credit Work Group Charter	na		█										
10 Appoint Credit Work Group Chair and Vice Chair	na		█										
11 Commodity Exchange Act exemption	na		█		█		█		█		█		█
12 Review risk policies and risk management practices	6				█				█				█
13 Undertake annual self-evaluation	8										█		█
14 Periodic meeting with senior management	6		█						█				
15 Review and approve internal audit charter	6		█						█				
16 Periodic meeting with Chief Audit Executive	6 & 7		█		█		█		█		█		█
17 Review internal audit reports	6		█		█		█		█		█		█
18 Review Ethics Point issues	na		█		█		█		█		█		█
19 Review effectiveness of internal audit functions	6												
20 Review and approve annual internal audit plan	6										█		█
21 Review performance of the Chief Audit Executive	7												█
22 Recommend selection of independent auditor	4										█		
23 Receive independence report from independent auditor	4										█		
24 Periodic meeting with independent auditor	5				█						█		
25 Discuss audited financial statements	5				█								
26 Review and accept financial statement audit	5				█								
27 Review and recommend proposed budget	3						█		█				
28 Review and recommend debt structure	3		█		█		█		█				
29 Review IRS Form 990	na								█				
30 Review and accept 401(k) audit report	5								█				
31 Review and accept SSAE 16 audit report	5								█				█
32 Review Committee briefs	na		█		█		█		█		█		█
33 Quarterly Committee education on accounting developments	5				█				█				█
34 Review financial institutions - market participants	6				█						█		
35 Receive periodic Potential Future Exposure report	na		█				█				█		
36 Preapprove non-audit services	4	Performed on as-needed basis											
37 Review any report by independent auditor	4	Performed on as-needed basis											
38 Review effect of regulatory accounting initiatives	5	Performed on as-needed basis											
39 Review complaints regarding financial statements	5	Performed on as-needed basis											
40 Review press stories regarding financial statements	5	Performed on as-needed basis											
41 Periodic meeting with 401(k) auditor	na	Performed on as-needed basis											
42 Periodic meeting with SSAE 16 auditor	na	Performed on as-needed basis											