



Item 5: Periodic Report on Credit Work Group Activity

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Finance & Audit Committee
ERCOT Public
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Credit Work Group Update

Credit Adequacy

- No changes to credit methodology in place to address recent changes in market design (ORDC & Higher Price Caps)
- Potential Limitation:
 - Credit calculations are backward looking
 - ERCOT Stress testing shows that under moderate stress conditions (10 intervals at \$9,000) results in an uncovered exposure to the market of ~\$235 million.

Credit Work Group Update

Short Term Enhancements

- Use the Seasonal Adjustment Factor (SAF) to increase the Minimum Current Exposure (MCE)
 - SAF is a parameter in the MCE calculation that can be used to adjust real time settlement point prices.
 - Changes in SAF by ERCOT only require a 14-day notice to Market Participants.
 - CWG will determine if an increase in SAF is necessary and pass the recommendation on to TAC for their consideration.

Credit Work Group Update

Longer Term Enhancements

- Credit Insurance
 - CWG continued to investigate the possibility of purchasing credit insurance to cover losses to the market in the event of a default.
 - Talked to ERCOTs' insurance broker at the last meeting.
 - Will involve substantial effort to determine feasibility.
- Other Alternatives
 - CWG will continue to look for ways to better match credit requirements to risk.