



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 updates on key Credit indicators and other Credit-related developments

- **Voting Items / Requests**

ERCOT is requesting the Board to remand NPRR1215, Clarifications to the Day-Ahead Market (DAM) Energy-Only Offer Calculation, back to Technical Advisory Committee (TAC) in order to correct a formula error that was introduced in the NPRR.

- **Key Takeaways**

- Market-wide average Total Potential Exposure (TPE) increased from \$1.82 billion in May 2024 to \$2.18 billion in June 2024
 - TPEA increased largely due to higher forward adjustment factors
- Average Discretionary Collateral increased from \$3.88 billion in May 2024 to \$4.23 billion in June 2024

Credit NPRRs

- **NPRR 1205 - Revisions to Credit Qualification Requirements of Banks and Insurance Companies [ERCOT]**
 - Approved by the PUCT on June 13, 2024
 - Partially implemented on July 1, 2024:
 - Doubled the maximum issuer limits as a percentage of tangible net worth per issuer; the overall limit of \$750M per issuer was not changed
 - Specific changes to be implemented later this year include strengthening and clarifying minimum credit quality qualifications for:
 - Banks, which issue letters of credit on behalf of Market Participants to ERCOT; and
 - Insurance companies, which issue surety bonds on behalf of Market Participants to ERCOT
 - Balances the higher credit rating threshold by providing more credit capacity available for market participants

Issuer Credit Limits vs Total Letters of Credit (LC) Amounts Per Issuer

	Total LC Amounts Per Issuer(US\$)	Tangible Net Worth(US\$)	Issuer Limits based on Tangible Net Worth(US\$)	Unused Capacity based on Tangible Net Worth(US\$)	Over CL
BNP Paribas (FI)	\$ 633,232,007	\$ 126,186,026,400	\$ 750,000,000	\$ 116,767,993	84%
Lloyds Bank Corporate Markets PLC (FI)	\$ 570,471,139	\$ 44,078,296,800	\$ 705,252,749	\$ 134,781,610	81%
Wells Fargo (FI)	\$ 473,528,565	\$ 132,055,000,000	\$ 750,000,000	\$ 276,471,435	63%
Societe Generale (FI)	\$ 361,284,555	\$ 63,578,169,600	\$ 750,000,000	\$ 388,715,445	48%
Credit Agricole Corporate & Investment Bank SA (FI)	\$ 227,909,399	\$ 31,329,928,800	\$ 501,278,861	\$ 273,369,462	45%
CoBank ACB (FI)	\$ 86,400,000	\$ 11,193,000,000	\$ 190,281,000	\$ 103,881,000	45%
Unicredit Bank AG (FI)	\$ 137,440,001	\$ 22,066,041,600	\$ 308,924,582	\$ 171,484,581	44%
Natixis (FI)	\$ 92,080,265	\$ 17,283,074,400	\$ 259,246,116	\$ 167,165,851	36%
Royal Bank of Canada (FI)	\$ 266,000,002	\$ 69,399,812,666	\$ 750,000,000	\$ 483,999,998	35%
DNB Bank ASA (FI)	\$ 142,650,003	\$ 25,572,097,989	\$ 434,725,666	\$ 292,075,663	33%
Others (29 banks)	\$ 2,234,628,001	\$ 1,451,289,985,763	\$ 16,468,770,969	\$ 14,234,142,968	14%
Totals	\$ 5,225,623,937	\$ 1,994,031,434,018	\$ 21,868,479,943	\$ 16,642,856,006	24%

- As of July 22, 2024
- There are a total of 39 banks that have issued LCs.

Credit NPRRs

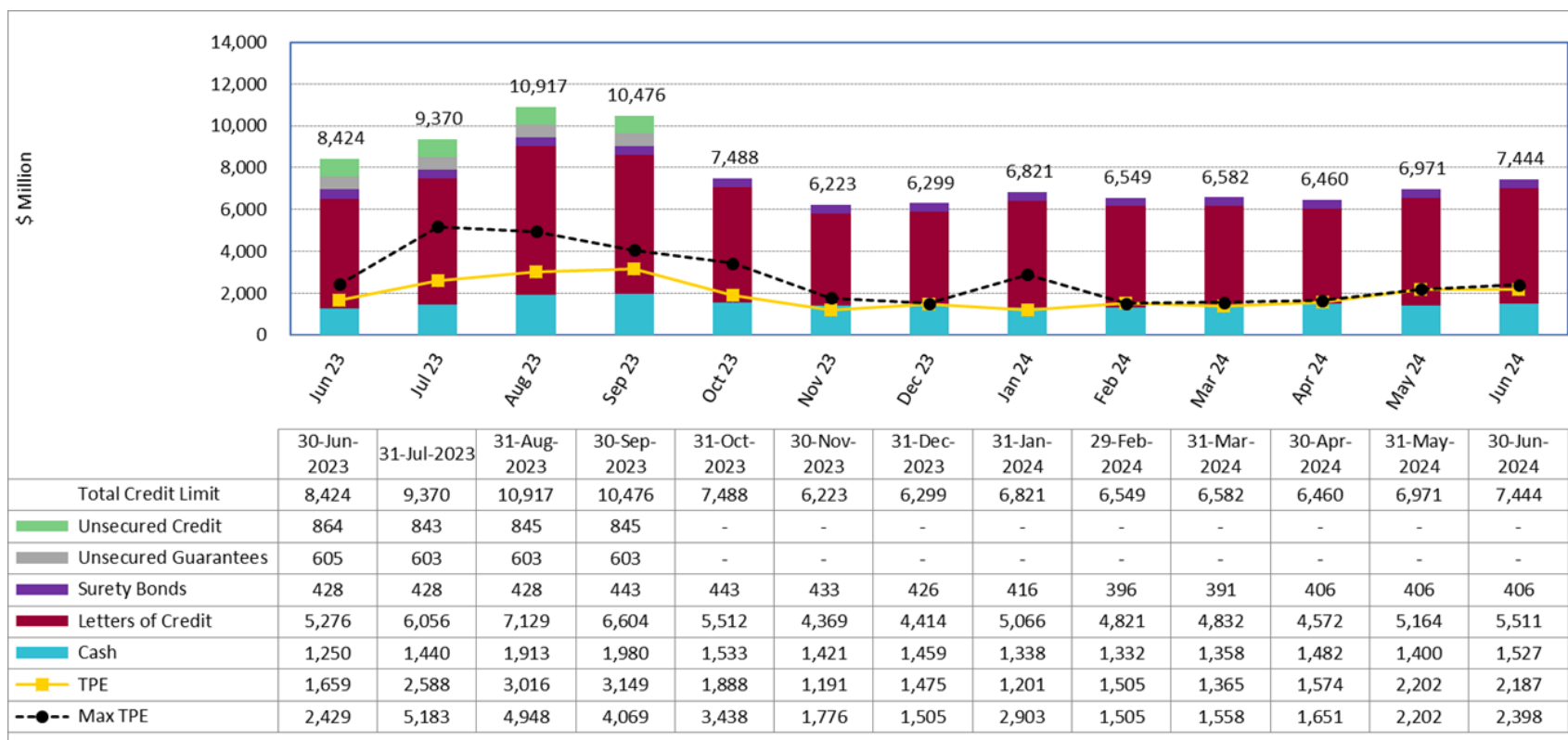
- **NPRR 1215 - Clarifications to the Day-Ahead Market (DAM) Energy-Only Offer Calculation [ERCOT]**
 - ERCOT requests the Board to remand back to TAC, to allow TAC to review and vote on a correction to the NPRR.
 - There was an inadvertent change to a credit formula for the value of “e2” made in the NPRR that does not reflect the current implementation.
 - Recommended for approval by the Technical Advisory Committee (TAC) in its June 24, 2024 meeting
 - Scheduled for a vote at the August 20, 2024 Board meeting. Clarifies certain calculations performed in determining the exposure of bids and offers submitted in the Day-Ahead Market
 - Credit exposure calculation for DAM Energy-Only Offers zeroes out negative values in calculating the percentile of historical hourly differences between Real-Time and Day-Ahead prices; and
 - Corrects a paragraph reference error
 - Incorporation of the as-built value of “e2” used in the calculation of the credit exposure for DAM Energy-Only Offers. The “e2” value which was in an Other Binding Document (OBD) previously approved by ERCOT Board of Directors was inadvertently omitted when the OBD was incorporated into the Protocols.

Market Credit Update

Appendices

Available Credit by Type Compared to Total Potential Exposure (TPE) Month-End June 2023 – June 2024

This shows TPE compared to the forms of collateral held.

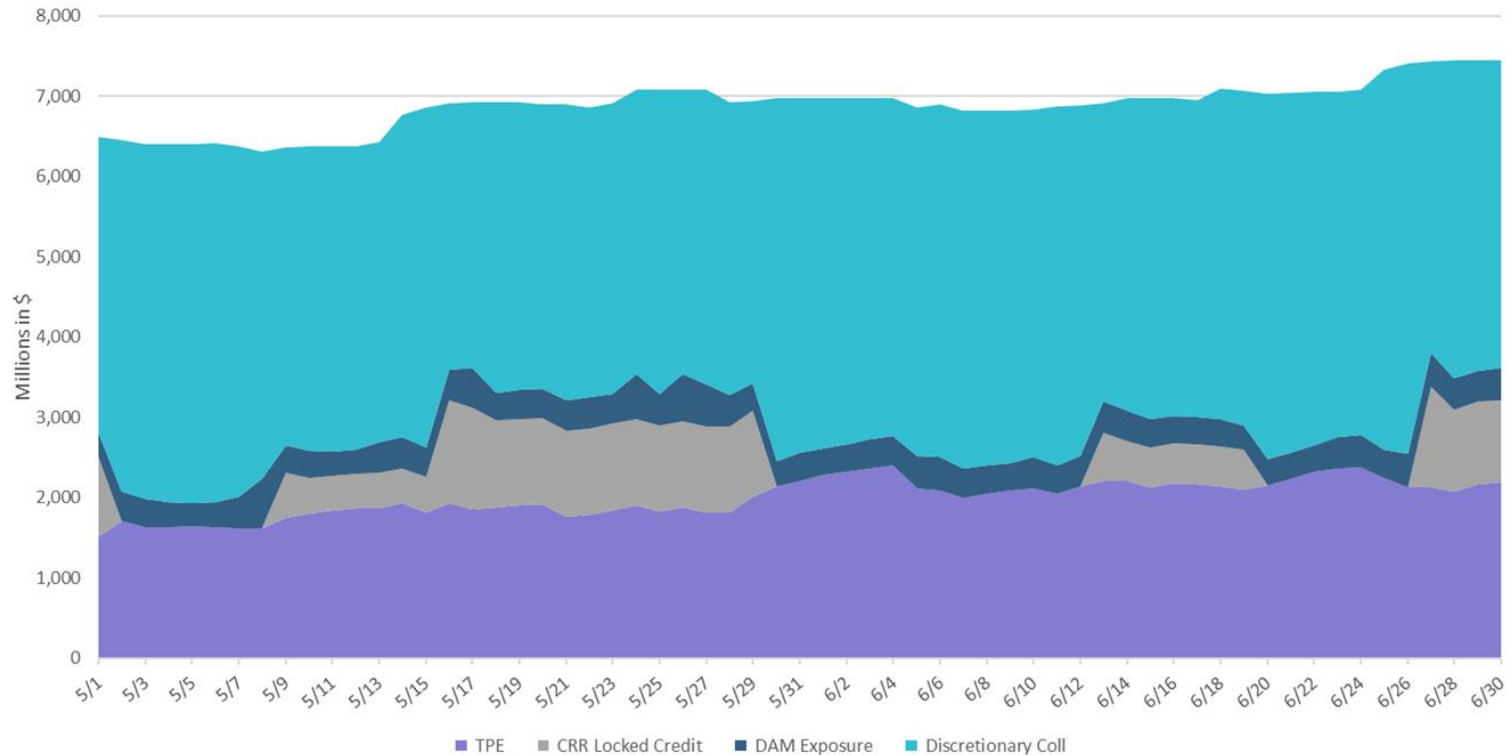


- Numbers are as of month-end except for Max TPE
- Max TPE is the highest TPE for the corresponding month

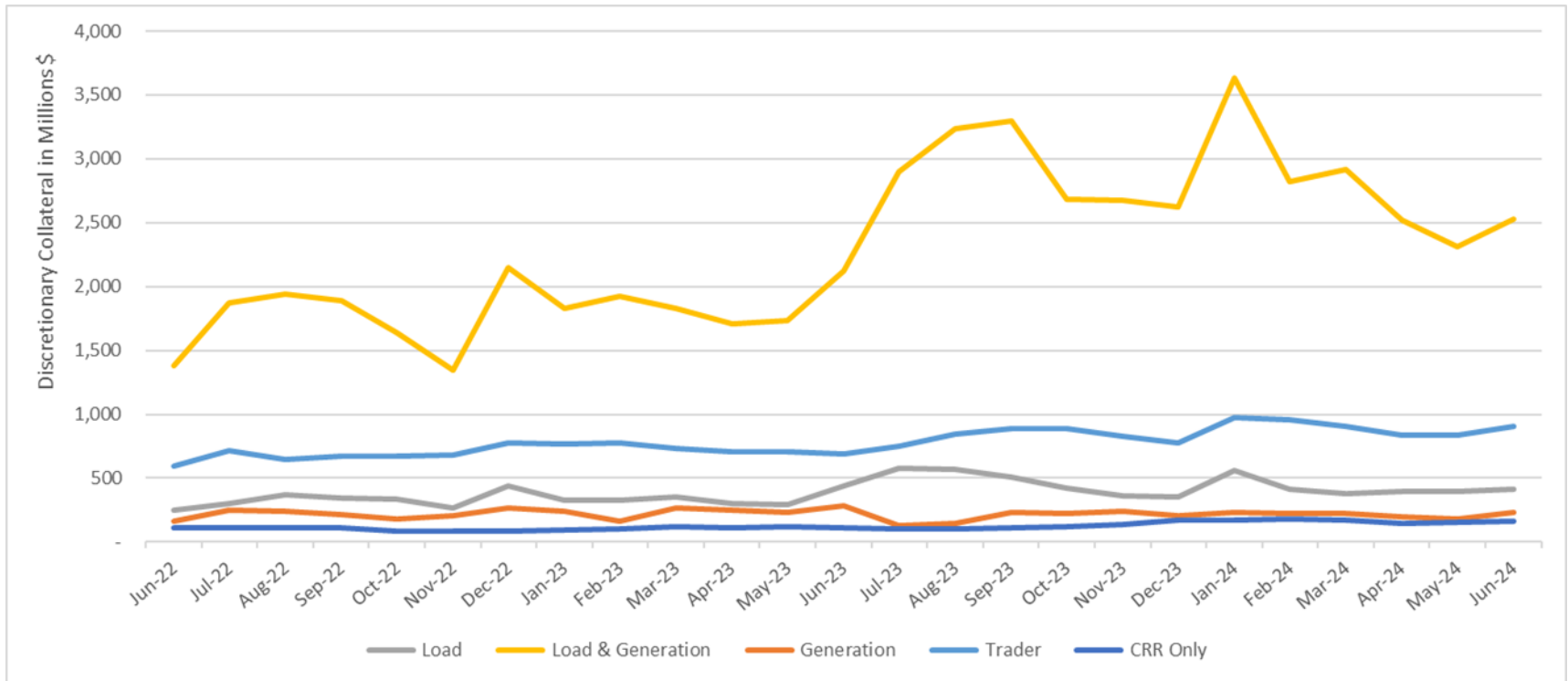


Discretionary Collateral May 2024 – June 2024

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 by Market Segment June 2022 - June 2024

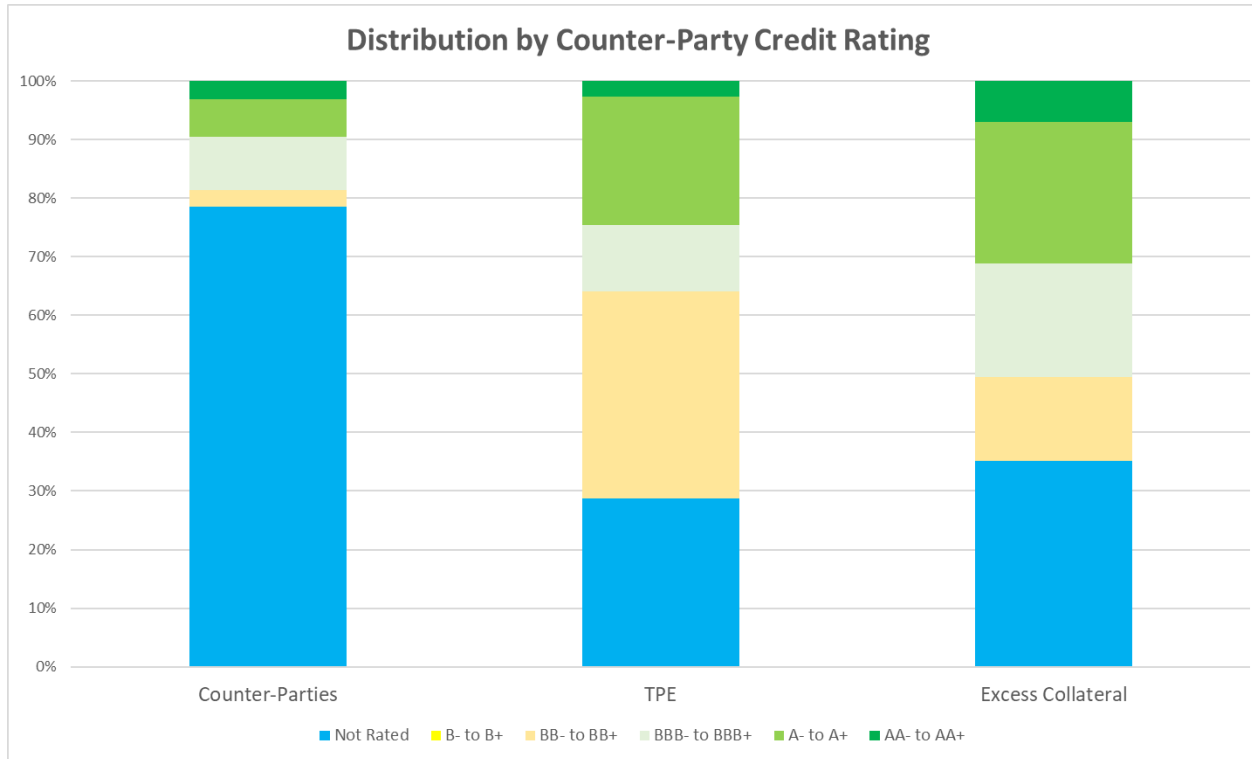


* Discretionary Collateral adjusted to exclude short pay amounts eliminating data skew



Distributions by Counter-Party Credit Rating – June 2024

Most ERCOT Counter-Parties are not agency-rated. However, unrated entities account for proportionately less TPE and excess collateral than agency-rated entities.



* TPE is average for the month

* Excess collateral (collateral in excess of TPE) is average for the month

TPEA Coverage of Settlements May 2023 – May 2024

Total Potential Exposure – Any (TPEA) is estimated credit exposure for non-CRR market activities.

