



## Item 10.4: 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**

No action is requested of the ERCOT Board; for discussion only

- **Key Takeaways**

- Market-wide average Total Potential Exposure (TPE) increased from \$1.81 billion in July 2024 to \$1.88 billion in August 2024
  - TPEA increased due to higher real-time and day-ahead prices
- Average Discretionary Collateral increased from \$4.15 billion in July 2024 to \$4.23 billion in August 2024

# Credit NPRRs

- **NPRR 1205 - Revisions to Credit Qualification Requirements of Banks and Insurance Companies [ERCOT]**
  - To be fully implemented on November 1, 2024 with the enforcement of changes to the minimum credit quality qualifications for banks and insurance companies
  - 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

# Credit NPRRs

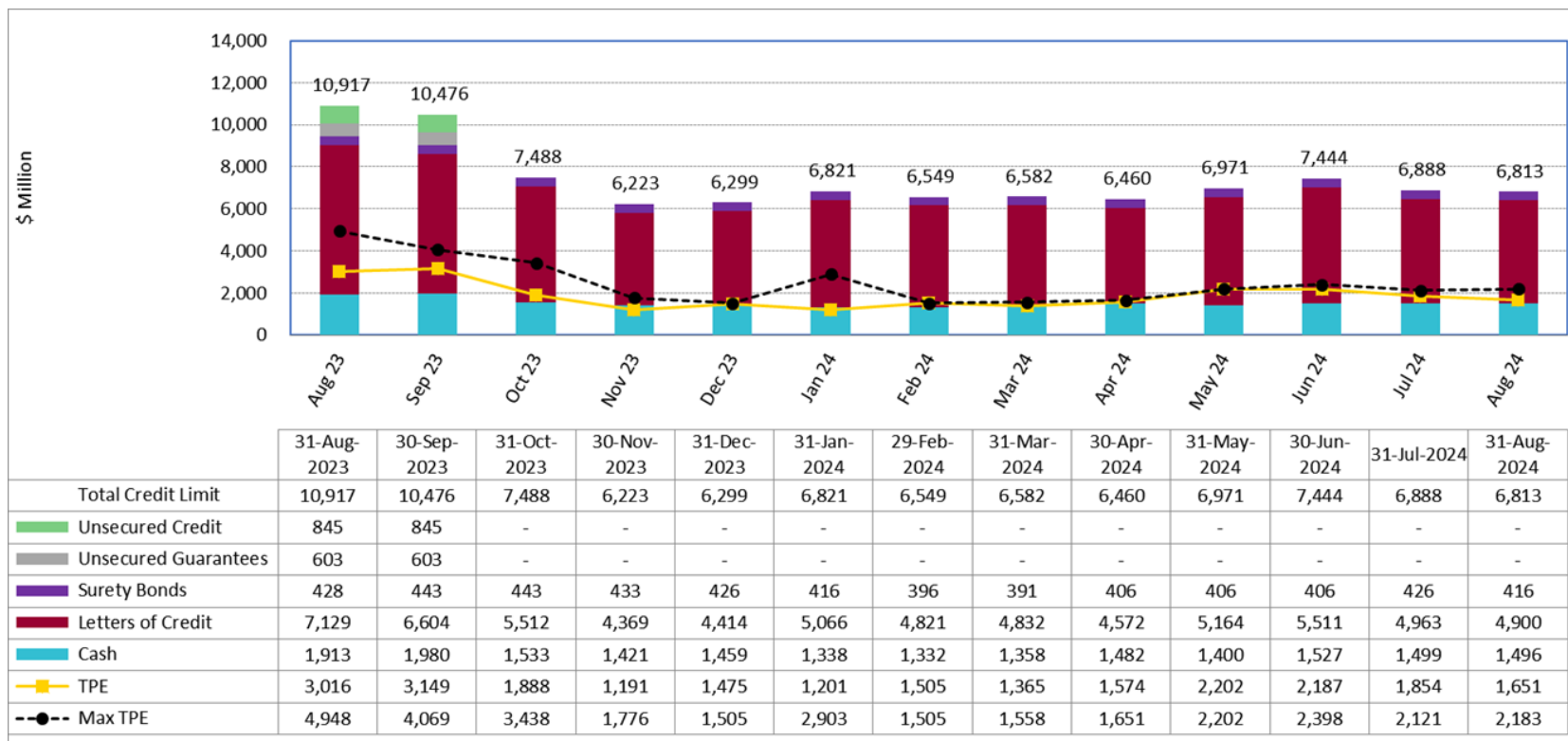
- **NPRR 1215 - Clarifications to the Day-Ahead Market (DAM) Energy-Only Offer Calculation [ERCOT]**
  - Board voted to remand back to TAC in its August 19, 2024 meeting in order to review and correct a formula error that was introduced in the NPRR
  - Approved by Technical Advisory Committee (TAC) at the September 19, 2024 meeting pending review of additional comments raised by stakeholders
  - 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 August 2023 – August 2024

This shows TPE compared to the forms of collateral held.

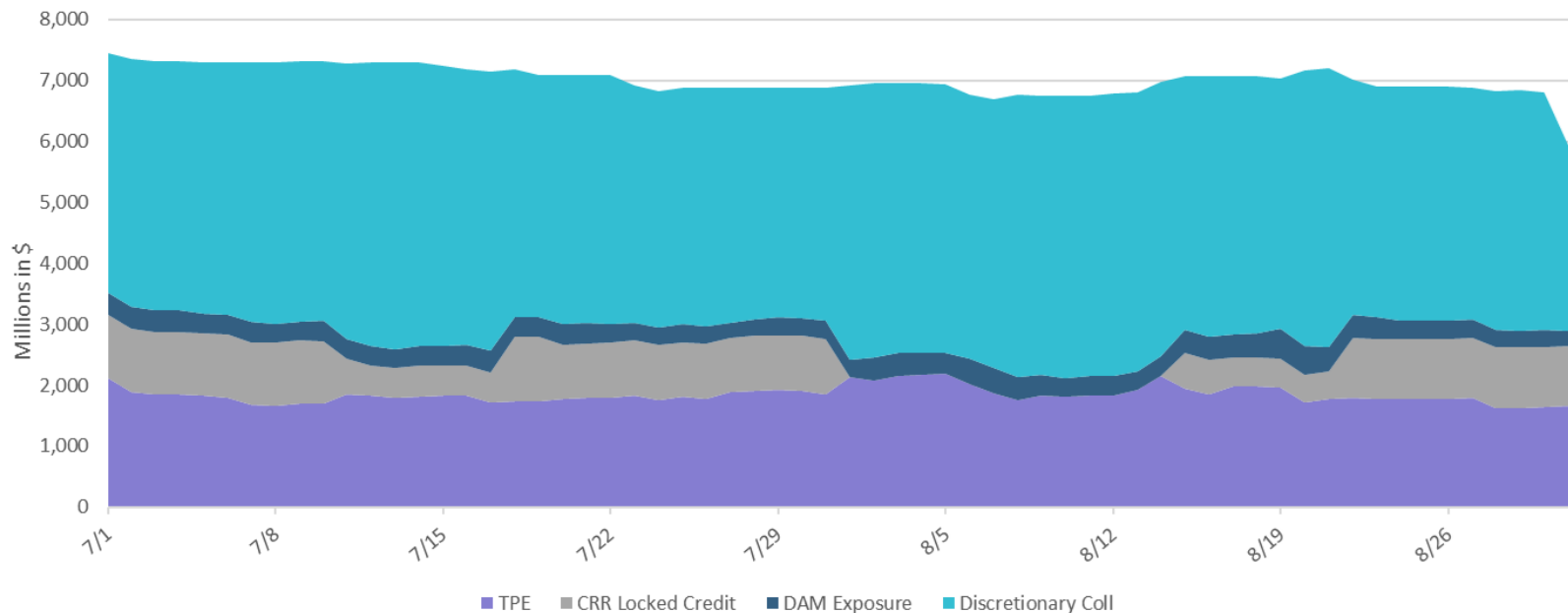


- Numbers are as of month-end except for Max TPE
- Max TPE is the highest TPE for the corresponding month

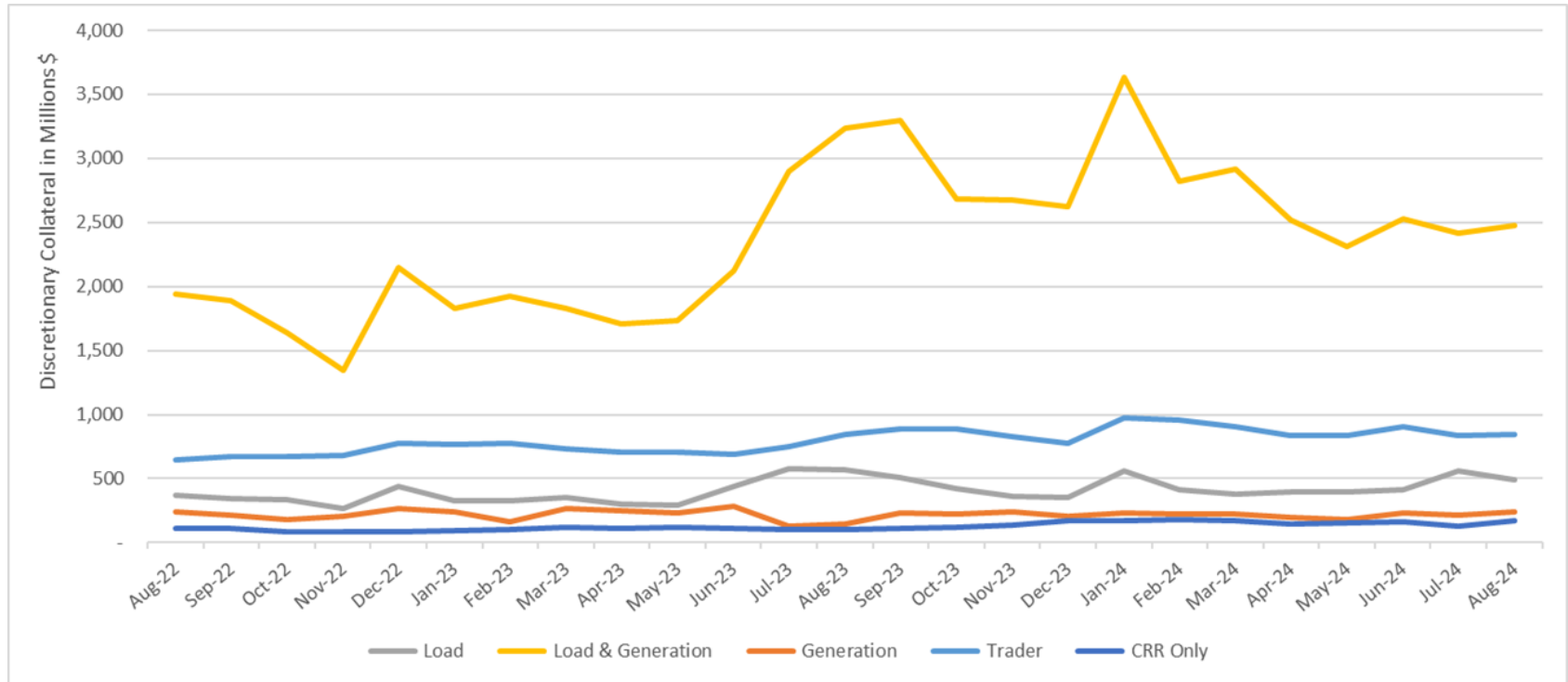


## Discretionary Collateral July 2024 – August 2024

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 August 2022 - August 2024



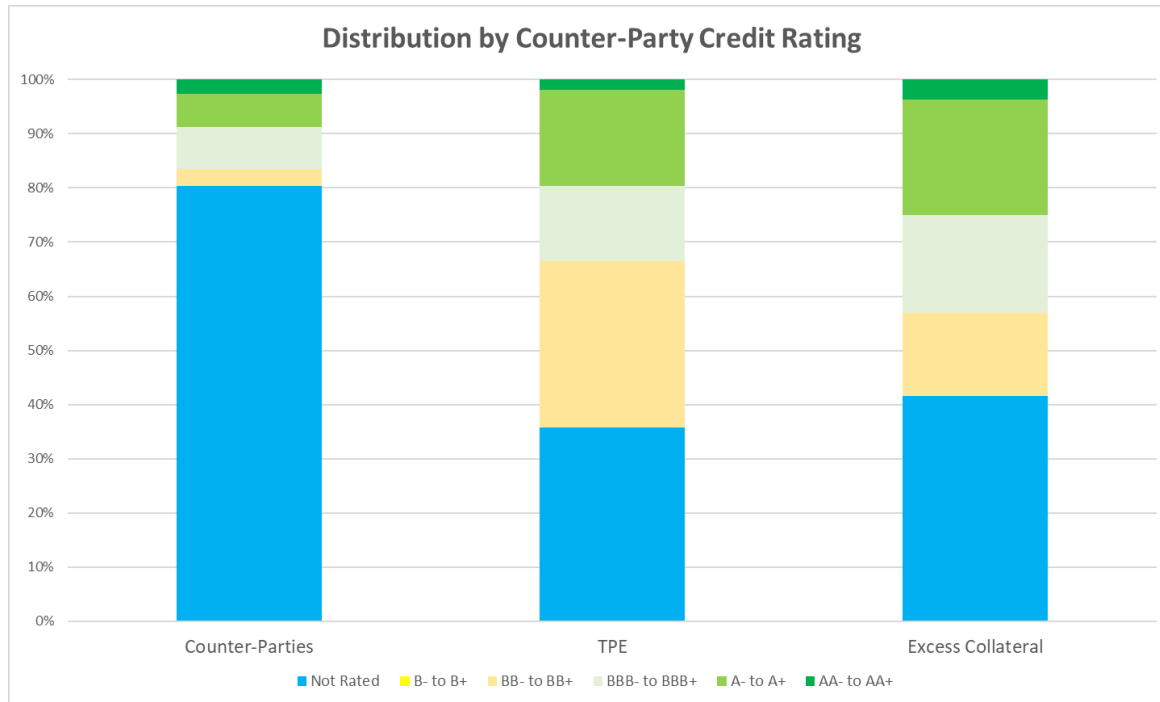
\* Discretionary Collateral adjusted to exclude short pay amounts eliminating data skew





# Distributions by Counter-Party Credit Rating – August 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 July 2023 – July 2024

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

