



Item 9.4: 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) remained unchanged at \$1.73 billion in both September and October 2024
- Average Discretionary Collateral slightly dropped from \$3.92 billion in September 2024 to \$3.82 billion in October 2024

Credit NPRRs

- **NPRR 1205 - Revisions to Credit Qualification Requirements of Banks and Insurance Companies [ERCOT]**
 - 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

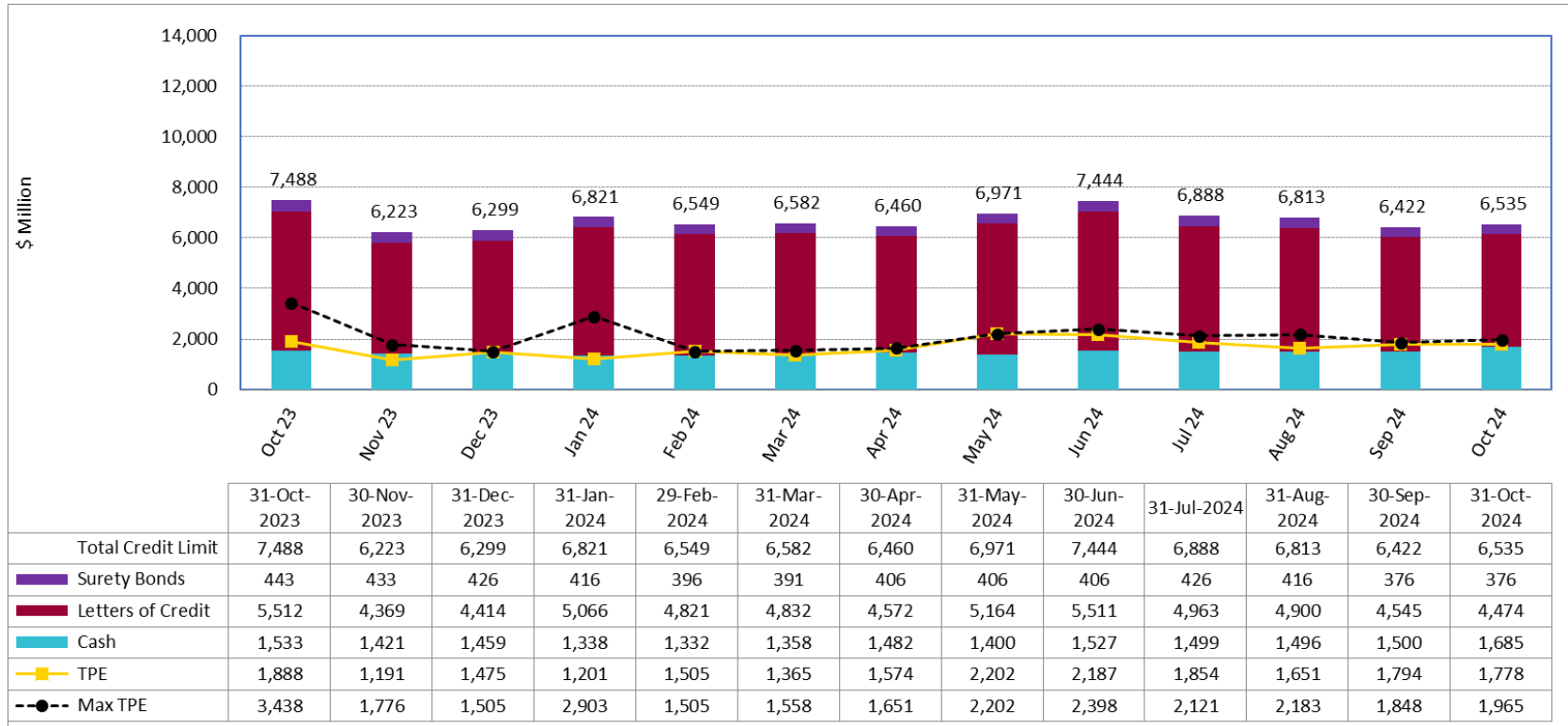
- **NPRR 1215 - Clarifications to the Day-Ahead Market (DAM) Energy-Only Offer Calculation [ERCOT]**
 - Board voted to recommend approval in its October 10, 2024 meeting. For PUCT approval.
 - Tabled at Technical Advisory Committee (TAC) in its August 28, 2024 meeting pending review of additional comments 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 October 2023 – October 2024

This shows TPE compared to the forms of collateral held.

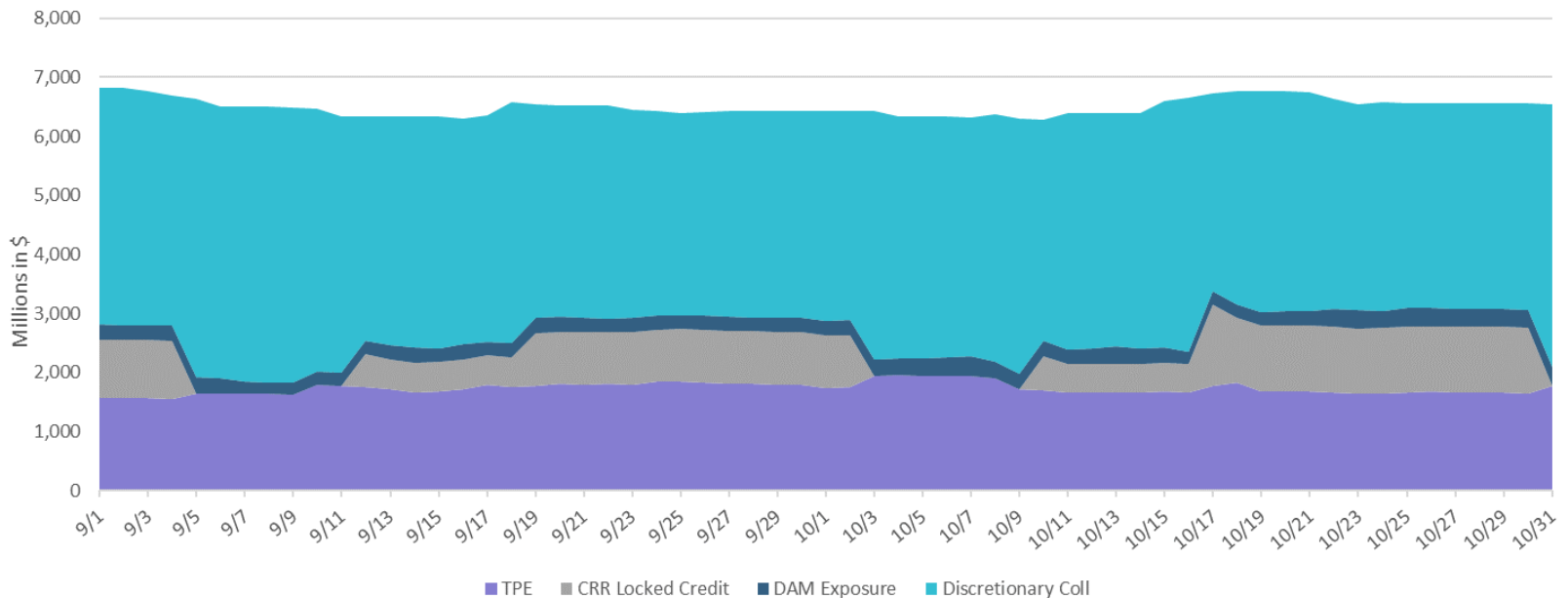


- Numbers are as of month-end except for Max TPE
- Max TPE is the highest TPE for the corresponding month

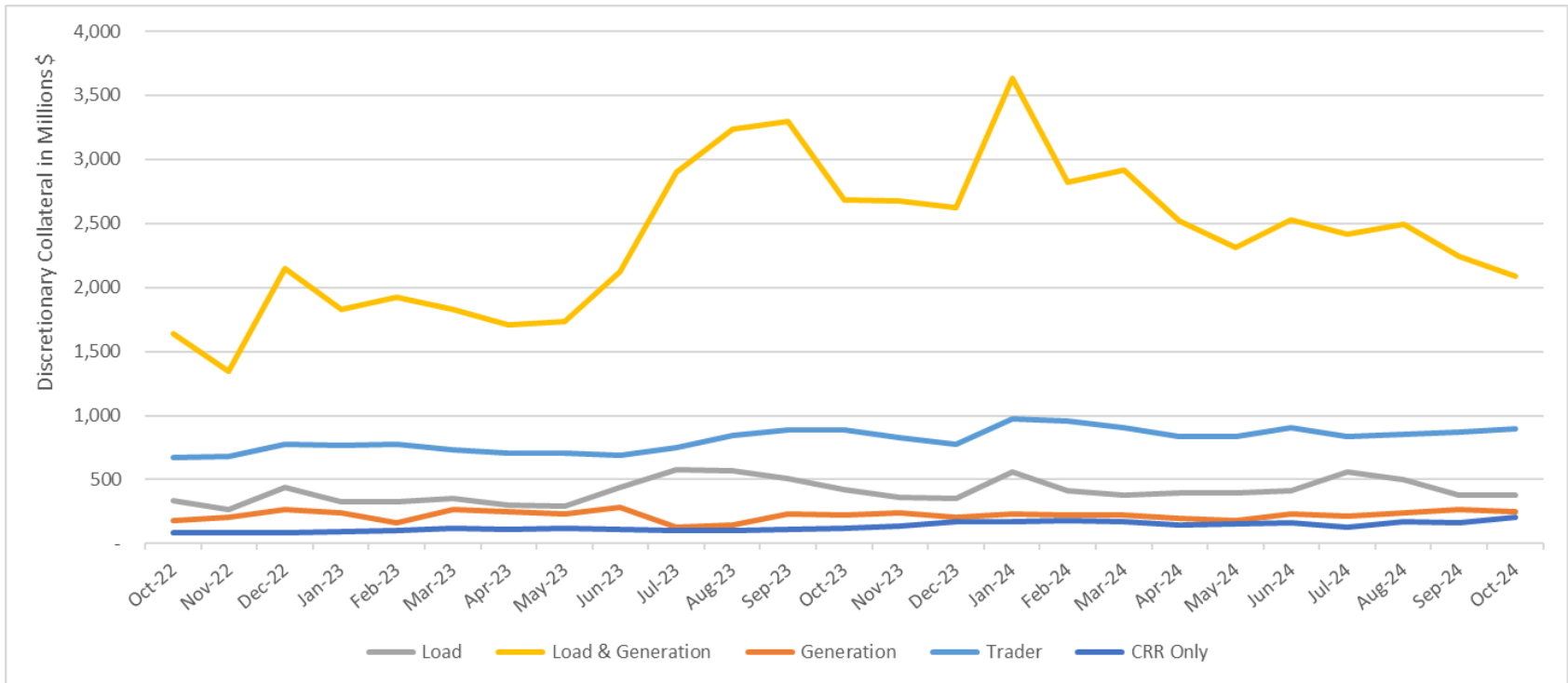


Discretionary Collateral September 2024 – October 2024

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 October 2022 - October 2024

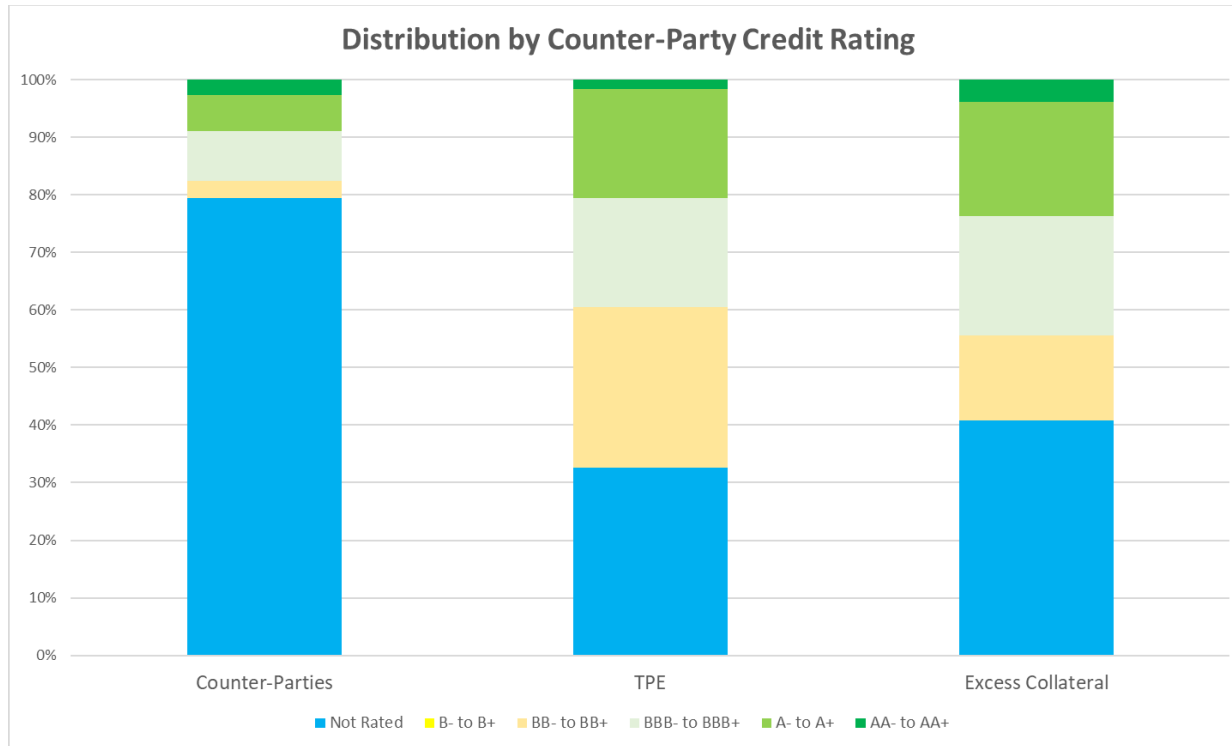


* Discretionary Collateral adjusted to exclude short pay amounts eliminating data skew



Distributions by Counter-Party Credit Rating – October 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 September 2023 – September 2024

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

