

Proposal for Utilization of the Foreign Guarantee in the ERCOT Market

If a QSE is required to supply alternate credit support, that QSE may request the approval of the guaranty of a foreign corporation. ERCOT may accept the guaranty provided the foreign guarantor must:

- (a) meet all of the requirements that otherwise apply to a guarantor as stated in Section 16.2.5.1.1.(a) of the ERCOT Protocols;
- (b) be organized in a country which (1) maintains the minimum Sovereign Debt ratings for a foreign guarantor adopted by the ERCOT Board and (2) has reciprocity agreements with the US regarding enforcement and collection of guarantee agreements;
- (c) provide to ERCOT annual audited financial statements, prepared in accordance with U.S. generally accepted accounting principles or international accounting standards and quarterly unaudited financial statements;
- (d) provide a guarantee in the form of the ERCOT Board approved standard form guarantee Agreement for foreign Entities;
- (e) reimburse ERCOT the cost of obtaining an opinion of counsel that the guarantee agreement is enforceable in the U.S. and the jurisdiction of the corporate guarantor's domicile and
- (f) maintain a registered New York Agent.

ERCOT credit limits will be the same for domestic and foreign guarantors, provided that domestic and foreign guarantors meet the applicable ERCOT Credit Standards.