

PROJECT NO. 27706

REPORTS OF THE ELECTRIC
RELIABILITY COUNCIL OF TEXAS

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§

PUBLIC UTILITY COMMISSION
OF TEXAS

**ERCOT'S REPORT CONCERNING MARKET PARTICIPANT
NON-COMPLIANCE WITH DIGITAL CERTIFICATE ANNUAL AUDITS**

COMES NOW Electric Reliability Council of Texas, Inc. (ERCOT) and files the attached report pursuant to ERCOT Protocol Sections 16.11.3 and 16.11.4.

Section 16.11 of the ERCOT Protocols relates to Market Participant access to ERCOT computer systems via designated User Security Administrators (USAs) and the Digital Certificates they obtain and maintain. Subsection 16.11.3 requires Market Participants to audit their list of Digital Certificate holders annually, and to submit the audit results to ERCOT by October 1 of each year. Subsection 16.11.4, in turn, requires ERCOT to report to the Public Utility Commission (PUC, Commission) all Market Participants failing to properly perform annual audits as described in Section 16.11.3, or non-compliance with Section 16.11.3.

ERCOT's Report consists of the list of Market Participants that, to date, have not submitted audit results as required by Section 16.11.3 (Attachment A); August 5, 2010 and September 10, 2010 email notices that ERCOT sent to each Market Participant's registered USA and Digital Certificate holders (Attachment B); and Section 16.11 of the ERCOT Protocols (Attachment C).

Respectfully submitted,

By: Chad V. Seely
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ERCOT
7620 Metro Center Drive
Austin, Texas 78744
ATTORNEY FOR ELECTRIC
RELIABILITY COUNCIL OF TEXAS, INC.

Attachment A

Market Participant	Type
10K ENERGY LLC	CP
ACCENT ENERGY TEXAS LP	CP/CRRAH
AEP ENERGY PARTNERS INC	CP/CRRAH
AEP PSO MUNICIPAL	RE
AEP TEXAS COMMERCIAL INDUSTRIAL RETAIL LP	LSE
AFFORDABLE POWER LP	CP/QSE
ALLIANCE POWER COMPANY LLC	CP
AMBIT TEXAS LLC	LSE
AMEREX BROKERS LLC	CP
AMERICAN ELECTRIC POWER TEXAS CENTRAL COMPANY	RE
AMPROP FINANCE COMPANY	RE
ANADARKO PETROLEUM CORPORATION	RE
ANDELER CORPORATION	CP
ANP FUNDING I LLC	CP/CRRAH
AP ELECTRIC LLC	LSE
APN STARFIRST LP	CP/LSE/QSE/SQ1
APX INC	CP
ASPIRE CAPITAL MANAGEMENT LLC	CP/QSE
AUTOMATED ALGORITHMS LLC	CP
BANDERA ELECTRIC CO OP INC	LSE/TDSP
BARCLAYS BANK PLC	CP
BARTON CHAPEL WIND LLC	CP
BASA RESOURCES INC	RE
BASA RESOURCES INC 2	RE
BASS ENTERPRISES PRODUCTION CO	RE
BIG COUNTRY ELECTRIC CO OP INC TXU	TDSP
BIO ENERGY (AUSTIN) LLC	RE
BLU POWER OF TEXAS LLC	CP/LSE/QSE
BLUEBONNET ELECTRIC CO OP INC	LSE/TDSP
BNP	SQ2
BOSQUE POWER COMPANY LLC	RE
BOUNCE ENERGY INC	CP
BP AMERICA PRODUCTION COMPANY	RE
BP ENERGY COMPANY (SUB-LSE-CNE)	LSE
BPTX	SQ2/SQ3
BRAZOS ELECTRIC POWER CO OP INC LCRA	LSE
BRAZOS ELECTRIC POWER CO OP INC-OAK GROVE	LSE
BRAZOS VALLEY ENERGY LP	RE
BRAZOS WIND LP	RE
BRILLIANT ENERGY LLC	CP
BROWNSVILLE PUBLIC UTILITIES BOARD	CP/RE
BULL CREEK WIND LLC	CP
CALPINE ENERGY SERVICES LP	CRRAH
CAP ROCK ENERGY (HUNT COLLIN DIVISION)	LSE
CAP ROCK ENERGY (MCCULLOCH DIVISION)	LSE/TDSP
CARDINAL CG COMPANY	RE
CARGILL POWER MARKETS LLC	CP/CRRAH/SQ1
CEMEX CEMENT INC	RE
CEMEX CEMENT INC 2	RE
CENTRAL TEXAS ELECTRIC CO OP INC	LSE/TDSP

CER COLORADO BEND ENERGY PARTNERS LP	RE
CER-QUAIL RUN ENERGY PARTNERS LP	RE
CHAIN LAKES POWER LP	CP
CHAMPION ENERGY INDUSTRIAL SERVICES	LSE
CHAMPION ENERGY INDUSTRIAL SERVICES II	LSE
CHAMPION ENERGY INDUSTRIAL SERVICES III	LSE
CHAMPION ENERGY MARKETING LLC	CP
CHEVRON MIDCONTINENT LP	RE
CHEVRON USA INC	RE
CIRRO GROUP INC	CRRAH
CITATION OIL AND GAS CORP	RE
CITIGROUP ENERGY INC	CP
CITY OF AUSTIN DBA AUSTIN ENERGY	CP
CITY OF BARTLETT	TDSP
CITY OF BASTROP	LSE/TDSP
CITY OF BELLVILLE	LSE/TDSP
CITY OF BOERNE	LSE/TDSP
CITY OF BRADY	LSE/TDSP
CITY OF BRENHAM	LSE/TDSP
CITY OF BRIDGEPORT MUN ELEC SYS	LSE/TDSP
CITY OF BURNET	LSE/TDSP
CITY OF CASTROVILLE	TDSP
CITY OF COLEMAN	LSE/TDSP
CITY OF CUERO	LSE/TDSP
CITY OF FLATONIA	LSE/TDSP
CITY OF FLORESVILLE DBA FLORESVILLE ELEC LIGHT AND PWR	TDSP
CITY OF FREDERICKSBURG	LSE/TDSP
CITY OF GEORGETOWN	CP/LSE/TDSP
CITY OF GIDDINGS	LSE/TDSP
CITY OF GOLDSMITH	LSE/TDSP
CITY OF GOLDTHWAITE	LSE/TDSP
CITY OF GONZALES	LSE/TDSP
CITY OF HALLETTSVILLE	LSE/TDSP
CITY OF HEARNE MUNICIPAL ELECTRIC SYSTEM	LSE/TDSP
CITY OF HEMPSTEAD	LSE/TDSP
CITY OF HONDO	TDSP
CITY OF LA GRANGE	LSE/TDSP
CITY OF LAMPASAS	LSE/TDSP
CITY OF LEXINGTON	LSE/TDSP
CITY OF LLANO	LSE/TDSP
CITY OF LOCKHART	LSE/TDSP
CITY OF LULING	LSE/TDSP
CITY OF MASON	LSE/TDSP
CITY OF MOULTON	LSE/TDSP
CITY OF ROBSTOWN UTILITY SYSTEM	LSE/TDSP
CITY OF SAN MARCOS	LSE/TDSP
CITY OF SAN SABA	LSE/TDSP
CITY OF SANGER	LSE/TDSP
CITY OF SCHULENBURG	LSE/TDSP
CITY OF SEGUIN	LSE/TDSP
CITY OF SEYMOUR	LSE/TDSP
CITY OF SHINER	LSE/TDSP

CITY OF SMITHVILLE	LSE/TDSP
CITY OF WAELDER	LSE/TDSP
CITY OF WEIMAR	LSE/TDSP
CITY OF WHITESBORO	TDSP
CITY OF YOAKUM	LSE/TDSP
CLEARVIEW ELECTRIC INC	CP/LSE/QSE
COMANCHE ELECTRIC CO OP ASSOCIATION	TDSP
COMISION FEDERAL DE ELECTRICIDAD	LSE
CONCHO VALLEY ELECTRIC CO OP INC	LSE/TDSP
CONOCO INC	LSE
CONSOLIDATED EDISON ENERGY INC	CP/CRRAH
CONSOLIDATED EDISON SOLUTIONS INC	CP/CRRAH/LSE
CONSTELLATION ENERGY CONTROL AND DISPATCH LLC	CP/QSE
CONSTELLATION NEWENERGY INC	LSE/QSE/SQ1
COOKE COUNTY ELECTRIC CO OP ASSOC INC	TDSP
CORAL ENERGY MANAGEMENT LLC	CP/QSE/SQ1/SQ2
CPOWER INC	CP/RE
CREDIT SUISSE ENERGY LLC	CP/CRRAH/LSE/QSE
DC ENERGY TEXAS LLC	QSE
DEEP EAST TEXAS ELECTRIC CO OP INC	TDSP
DELAWARE MOUNTAIN WIND FARM LLC RELIANT	RE
DENBURY ONSHORE LLC	RE
DESERT SKY WIND FARM LP	CP/CRRAH
DEVONSHIRE ENERGY LLC	LSE
DIRECT ENERGY BUSINESS LLC DBA EXPERT ENERGY	CP
DIRECT ENERGY LP	SQ6/SQ7/SQ8
DPI ENERGY LLC	CP
DTE ENERGY TRADING INC	LSE
DUKE ENERGY OHIO INC	CP
EAST TEXAS ELECTRIC CO OP	TDSP
ENERGEN RESOURCES CORPORATION	RE
ENERGY CURTAILMENT SPECIALISTS INC	QSE
ENERGY TRANSFER RETAIL POWER LLC	LSE
ENERNOC INC	CP
ENERWISE GLOBAL TECHNOLOGIES INC	CP
ENNIS POWER COMPANY LLC	RE
ENOW LP	CP/LSE/QSE
ENTERGY GULF STATES INC	LSE
ENTERGY TEXAS INC	LSE
EQUISTAR CHEMICAL LP	RE
ESCO1 LLC	LSE
EXELON GENERATION COMPANY LLC	CP/CRRAH/QSE/SQ1
EXTEX LAPORTE LP 2	RE
EXTEX RETAIL SERVICES COMPANY LLC	LSE
EXTEX-LAPORTE LP	RE
FANNIN COUNTY ELECTRIC CO OP INC	TDSP
FARMERS ELECTRIC CO OP INC DBA FEC ELECTRIC	TDSP
FAYETTE ELECTRIC CO OP INC	LSE/TDSP
FM ENERGY SCHEDULING LLC	CP
FORMOSA PLASTICS CORPORATION AMERICA	RE
FORMOSA UTILITY VENTURE LTD	CP
FORT BELKNAP ELECTRIC CO OP INC	TDSP

FRESNO ENERGY LLC	RE
FRONTIER UTILITIES INC	CP
FULCRUM POWER SERVICES LP	CP
FULCRUM RETAIL ENERGY LLC DBA AMIGO ENERGY	QSE
G2 ENERGY (TRINITY OAKS) LLC	RE
GATEWAY ENERGY SERVICES CORP DBA GATEWAY POWER SERVICES	CP
GDF SUEZ ENERGY RESOURCES NA INC	LSE/QSE
GEXA ENERGY LP III	LSE
GEXA ENERGY LP IV	LSE
GIM RETAIL ENERGY LLC	LSE
GOLDEN SPREAD ELECTRIC COOPERATIVE INC	LSE/TDSP
GRADIENT CAPITAL LLC	CP
GRANBURY MUNICIPAL UTILITIES	LSE/TDSP
GRAYSON COLLIN ELECTRIC CO OP INC	TDSP
GREEN LINE POWER LLC	CP/QSE
GUADALUPE VALLEY ELECTRIC CO OP INC	TDSP
GUADALUPE-BLANCO RIVER AUTHORITY	RE
HACKBERRY WIND LLC	RE
HAMILTON COUNTY ELECTRIC CO OP	TDSP
HEART OF TEXAS ELECTRIC COOPERATIVE INC	TDSP
HENRY PETROLEUM LP	RE
HILEX POLY CO LLC	RE
HINO ELECTRIC POWER COMPANY	CP/LSE/QSE
HOUSTON COUNTY ELEC COOP INC TXU	TDSP
HUDSON ENERGY JV LLC	LSE
HUDSON ENERGY SERVICES LLC	CP
IBERDROLA RENEWABLES INC	CP
IGLOO PRODUCTS CORP	RE
INEOS USA LLC	RE
INFINITE ENERGY INC	LSE
INNOVENE USA LLC	RE
INTEGRYS ENERGY SERVICES INC	CP/CRRRAH
INTELLIGEN RESOURCES LP	CP/QSE/RE
INVISTA INC	RE
IPA TRADING LLC	CP/CRRRAH
J A C ELECTRIC CO OP INC	TDSP
JACKSON ELECTRIC CO OP INC	TDSP
JASPER NEWTON ELECTRIC CO OP INC	TDSP
JPMORGAN VENTURES ENERGY CORPORATION	LSE
JUMP POWER LLC	CP
KARNES ELECTRIC CO OP INC	TDSP
KERR MCGEE CORPORATION	RE
KERRVILLE PUBLIC UTILITY BOARD	LSE/TDSP
KEYSTONE ENERGY PARTNERS LP	CP/CRRRAH
LA GRANGE ACQUISTION LTD	RE
LAHEY AND PARTNERS LLC	LSE
LAMAR COUNTY ELEC COOP DBA LEC	TDSP
LCY ELASTOMERS LP	RE
LEHMAN POWER SERVICES LLC	LSE
LIBERTY POWER CORP LLC	CP
LIBERTY POWER HOLDINGS LLC	LSE
LIBERTY POWER TEXAS LLC	LSE

LONE STAR TRANSMISSION LLC	TDSP
LONGHORN ENERGY LP DBA LONGHORN ELECTRICITY MARKETING LP	CP/CRRRAH
LORAIN WINDPARK PROJECT LLC	RE
LPT LLC DBA LPT SP LLC	CP
LQA LLC	CP
LUFKIN INDUSTRIES INC	RE
MACQUARIE ENERGY LLC	CP/CRRRAH/QSE
MAG ENERGY SOLUTIONS INC	CP
MAGIC VALLEY ELECTRIC CO OP INC	LSE/TDSP
MARATHON OIL COMPANY	RE
MATHESON TRI_GAS	RE
MEDINA ELECTRIC CO OP INC	RE/TDSP
MEGA ENERGY LP	CP/QSE
MERRILL LYNCH COMMODITIES INC	CP/CRRRAH/SQ1
MID SOUTH ELECTRIC CO OP ASSOC	TDSP
MILAGRO POWER COMPANY	QSE
MORGAN STANLEY CAPITAL GROUP INC	CP/CRRRAH
MP2 ENERGY LLC	CP
MP2 ENERGY TEXAS LLC	CP/LSE
MPOWER RETAIL ENERGY LP	LSE
NASDAQ OMX COMMODITIES CLEARING-DELIVERY LLC	CP/QSE/SQ1
NAVARRO COUNTY ELECTRIC CO OP INC	TDSP
NAVASOTA VALLEY ELECTRIC CO OP INC	TDSP
NEUMIN PRODUCTION CO	LSE
NEW BRAUNFELS UTILITIES	LSE
NEW MEXICO NATURAL GAS LP	CP
NOBLE AMERICAS GAS AND POWER CORP	CP
NOVA POWER LLC	LSE
NUECES ELECTRIC CO OP INC	TDSP
OCCIDENTAL POWER MARKETING LP	CP
OCCIDENTAL POWER SERVICES INC	CP
OWENS CORNING (LAAR)	RE
PACTIV CORPORATION	RE
PARALLEL PETROLEUM CORP	RE
PATTERN GULF WIND LLC	CP
PEDERNALES ELECTRIC CO OP INC	LSE/TDSP
PEGASUS ALLIANCE CORPORATION DBA ONPAC ENERGY	LSE/QSE
PENASCAL II WIND PROJECT LLC	RE
PENSTAR POWER LLC	CP/LSE/QSE
PEPCO ENERGY SERVICES INC	CP
PILOT POWER GROUP INC	CP
POTENTIA ENERGY LLC	CP
PRELECTRIC ENERGY SERVICES LLC	LSE
PREMIER POWER LLC	LSE
PRIER ENERGY INC DBA BUBBA POWER	LSE
PRIZE PETROLEUM LLC	RE
PROTON ENERGY INC	CP/LSE/QSE
PULSE ELECTRIC INC	LSE
RAYBURN COUNTRY ELECTRIC COOPERATIVE INC	CP/CRRRAH/LSE/TDSP
RBS SEMBRA	SQ1/SQ2
REACH ENERGY LLC	CP/LSE/QSE
RELIABLE POWER LLC	LSE

RELIANT ENERGY POWER SUPPLY LLC - IDENTIFIED IN ERCOT AS REPS	RE
REPOWER LLC	CP/LSE/QSE
RETAIL POWER SUPPLY LP	LSE
RHODIA INC	RE
RIO GRANDE VALLEY SUGAR GROWERS INC	RE
RIO NOGALES POWER PROJECT LP	CP/QSE/RE
SAN BERNARD ELECTRIC COOPERATIVE INC	CP/LSE/TDSP
SAN PATRICIO ELECTRIC CO OP	TDSP
SARACEN ENERGY WEST LP	CP
SCURRY COUNTY WIND LP	QSE
SEADRIFT COKE LP	RE
SECURE ENERGY LLC	LSE
SEMPRA ENERGY TRADING LLC	CP
SESCO ENTERPRISES LLC	CP
SESCO SOUTHWEST TRADING LLC	CP
SGE ENERGY MANAGEMENT LTD	LSE
SHARYLAND UTILITIES LP	LSE/TDSP
SHELL ENERGY NORTH AMERICA (US) LP	LSE
SHERBINO I WIND FARM LLC	CP/CRRRAH
SILVER STAR I POWER PARTNERS LLC	CP
SMALL HYDRO OF TEXAS INC	RE
SNYDER WIND FARM LLC	RE
SOLARO ENERGY MARKETING CORPORATION	LSE
SOUTH PLAINS ELECTRIC CO OP INC	TDSP
SOUTH TEXAS ELECTRIC COOPERATIVE INC	CP/LSE/RE/TDSP
SOUTHWESTERN ELECTRIC POWER COMPANY BLT	TDSP
SPARK ENERGY LP	CP/LSE/QSE/SQ1
SPENCER STATION GENERATING COMPANY LP	RE
STAR ELECTRICITY LLC	CP/CRRRAH/LSE
STARLIGHT ENERGY LP	LSE
STATE POWER COMPANY INC	LSE
STEPHENS AND JOHNSON OPERATING CO	RE
STREAM GAS AND ELECTRIC LTD	CP/QSE
SWEPSCO EDC (SPP ESI ID)	LSE
SWEPSCO ENERGY DELIVERY COMPANY (SWEPSCO-EDC)	LSE
TAYLOR ELECTRIC CO OP INC	LSE/TDSP
TELECOM CONSULTING AND SERVICES LLC DBA TCS ENERGY	LSE
TENASKA POWER SERVICES CO	CP
TEX-LA ELECTRIC COOPERATIVE OF TEXAS INC	CP/CRRRAH/LSE
TEXAS GULF WIND LLC	CP/QSE/RE
TEXAS POWER LP	CP
TEXAS STATE TECHNICAL COLLEGE	RE
TEXOGA TECHNOLOGIES INC	RE
TEXPO POWER LP DBA TEXPO ENERGY	CP/QSE
TEXPO POWER LP DBA YEP	LSE
TEXREP6 LLC	LSE
TEXREP7 LLC	LSE
TEXREP8 LLC	LSE
TGT ENERGY LLC	LSE
THE ROYAL BANK OF SCOTLAND PLC	CP/CRRRAH/LSE
TODAYS ENERGY	CP/QSE
TPS POWER HOLDINGS LLC	LSE

TRENT WIND FARM LP	CP/CRRRAH
TRI COUNTY ELECTRIC CO OP INC	TDSP
TRIEAGLE ENERGY LP	CP
TRINITY VALLEY ELEC CO OP	TDSP
TWIN CITIES POWER LLC	CP
TXU SESCO CO	LSE
UBS AG LONDON BRANCH	QSE
UG&E TEXAS INC	LSE
UNION CARBIDE CORP	RE
UNITED ELECTRIC CO OP SERVICES INC	TDSP
VALERO REFINING COMPANY TEXAS	RE
VANTAGE WIND SERVICES LLC	CP/QSE
VELOCITY AMERICAN ENERGY MASTER I LP	CP/CRRRAH
VICTORIA ELECTRIC CO OP INC	TDSP
VICTORIA ELECTRIC CO OP INC AEP	TDSP
VIRIDIS ENERGY (TEXAS) LP	RE
WEATHERFORD MUNICIPAL UTILITY SYSTEM	LSE/RE/TDSP
WEIR INVESTMENTS FUND LLC DBA APOLLO POWER AND LIGHT LLC	CP
WEST TEXAS RENEWABLES LP	RE
WESTERN FARMERS ELECTRIC COOPERATIVE	LSE/TDSP
WG OPERATING INC	RE
WHARTON COUNTY ELECTRIC CO OP INC	TDSP
WHARTON COUNTY POWER PARTNERS LP	RE
WHIRLWIND ENERGY LLC	RE
WILSONART INTERNATIONAL INC	RE
WIND MANAGEMENT LLC	RE
WISE ELECTRIC CO OP	TDSP
XTEND ENERGY LP	CP/RE
YOUNG ENERGY LLC	CP

From: [ERCOT Client Relations](#)
To: ["notice_general@lists.ercot.com"](mailto:notice_general@lists.ercot.com); ["notice_legal@lists.ercot.com"](mailto:notice_legal@lists.ercot.com)
Cc: [1 ERCOT Client Service Reps](#)
Subject: M-B080510-01 ACTION REQUIRED - 2010 Digital Certificate Audit
Date: Thursday, August 05, 2010 3:13:09 PM
Attachments: [Digital Certificate Audit Attestation \(DCAA\).docx](#)

NOTICE DATE: August 5, 2010

NOTICE TYPE: M-B080510-01 Legal

SHORT DESCRIPTION: 2010 Digital Certificate Audit

INTENDED AUDIENCE: Market Participant User Security Administrators (USAs)

DAY AFFECTED: October 1, 2010

LONG DESCRIPTION: Each Market Participant (MP) in the ERCOT Region is allowed access to ERCOT's computer systems through the use of Digital Certificates. A Digital Certificate is an electronic file installed on a programmatic interface or an individual's assigned computer used to authenticate that the interface or individual is authorized for secure electronic messaging with ERCOT's computer systems. Digital Certificates expire after a period of one (1) year. A User Security Administrator (USA) is responsible for managing the MP's access to ERCOT's computer systems through Digital Certificates and each MP must, as part of the application for registration with ERCOT, designate an individual employee or authorized agent as its USA (and optionally a Backup USA).

You are receiving this notice because you are the USA for your organization. As the USA, you are responsible for registering all Digital Certificate holders of your organization through ERCOT's computer systems and administering the use of Digital Certificates for access to ERCOT's computer systems on behalf of your organization. ERCOT has sent a copy of the guide called "Introduction and Use of Market Participant Identity Management (MPIM) and Digital Certificates" to your organization. The guide may also be found in Identity Management under Support Documentation on the Texas Market Link (TML). The document contains the Digital Certificate procedures, as well as describing how to use the MPIM application. If you have not already done so, you should also familiarize yourself with ERCOT Protocol §16.11 because that section contains many details of your obligations as a USA. Pursuant to §39.151(j) of the Public Utility Regulatory Act (PURA), your organization must comply with the ERCOT Protocols.

Additionally, pursuant to ERCOT Protocol §16.11.3 and PUCT SUBST. R. §25.361(g), ERCOT is providing your organization with a Digital Certificate Audit Attestation (DCAA) form. The ERCOT Protocols require that each MP generate a list of its registered USA and Certificate Holders (the List) for each Data Universal Numbering System Number (DUNS #), including DUNS #s for each Congestion Revenue Rights Account Holder (CRRAH), Load Serving Entity (LSE), Qualified Scheduling Entity (QSE), Sub-QSE, Resource Entity (RE) and Transmission and/or Distribution Service

Provider (TDSP). The List is to be generated through the MPIM application on the TML website through the reporting function. Each MP must review and audit the List and the manner in which your organization handles Digital Certificates. If you identify discrepancies in the List (e.g. errors, Digital Certificate holders whose names should be removed from the List or people whose names should be added to the List), you must use the process for managing Digital Certificates as included in the guide "Introduction and Use of MPIM and Digital Certificates" to correct the discrepancies.

At a minimum, you must confirm that:

1. Your organization, each listed USA and each Digital Certificate holder meet the applicable requirements of ERCOT Protocol §16.11.1(1) and (2);
2. Each listed USA and Digital Certificate holder is currently employed by or is an authorized agent of your organization;
3. You have verified that the listed USA is authorized to be the USA;
4. Each Digital Certificate holder is authorized to retain and use the Digital Certificate; and
5. Each listed Digital Certificate holder needs the Digital Certificate to perform his or her job functions.

ACTION REQUIRED: Once all corrections/changes have been made to the List, **you are responsible for submitting a signed DCAA form from an officer or an executive with authority to bind your organization.** A separate DCAA form should be submitted for each DUNS #. For example, one DCAA should be submitted for each of the following registrations: CRRAH, LSE, QSE, Sub-QSE, RE and TDSP. This form **MUST** be submitted to ERCOT **no later than October 1, 2010.** (See ERCOT Protocol §16.11.3.) If your organization cannot comply with the October 1, 2010, deadline, you must contact ERCOT's External Relations Specialist at mpappl@ercot.com to request an extension.

Please send your DCAA form(s) and/or requests for extension by: (i) email to mpappl@ercot.com; (ii) fax to 512-225-7079; or (iii) regular mail to ERCOT, Market Participant Registration, 7620 Metro Center Drive, Austin, Texas 78744.

CONTACT: If you have any questions, please contact your ERCOT Account Manager. You may also call the general ERCOT Client Services phone number at (512) 248-3900 or contact ERCOT Client Services via email at ClientRelations@ercot.com.

If you are receiving e-mail from an ERCOT distribution list that you no longer wish to receive, please follow this link in order to unsubscribe from this list: <http://lists.ercot.com>.

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From: [ERCOT Client Relations](#)
To: ["notice_general@lists.ercot.com"](mailto:notice_general@lists.ercot.com); ["notice_legal@lists.ercot.com"](mailto:notice_legal@lists.ercot.com)
Cc: [1 ERCOT Client Service Reps](#)
Subject: M-B080510-02 ACTION REQUIRED - Reminder - 2010 Digital Certificate Audit Attestation Due October 1 2010
Date: Friday, September 10, 2010 4:56:54 PM
Attachments: [Digital Certificate Audit Attestation \(DCAA\).doc](#)

NOTICE DATE: September 10, 2010

NOTICE TYPE: M-B080510-02 Legal

SHORT DESCRIPTION: REMINDER – 2010 Digital Certificate Audit Attestation (DCAA) due October 1, 2010

INTENDED AUDIENCE: Market Participant User Security Administrators (USAs)

DAY AFFECTED: October 1, 2010

****Please note that if you have not already complied, the DCAA is due on October 1, 2010, and should include a submission for the Counter Party (CP), if applicable.****

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#s for each CP, Congestion Revenue Rights Account Holder (CRRAH), Load Serving Entity (LSE), Qualified Scheduling Entity (QSE), Sub-ordinate QSE (Sub-QSE), Resource Entity (RE) and Transmission and/or Distribution Service Provider (TDSP). The List is to be generated through the MPIM application on the TML website through the reporting function. Each MP must review and audit the List and the manner in which your organization handles Digital Certificates. If you identify discrepancies in the List (e.g. errors, Digital Certificate holders whose names should be removed from the List or people whose names should be added to the List), you must use the process for managing Digital Certificates as included in the guide "Introduction and Use of MPIM and Digital Certificates" to correct the discrepancies.

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3. You have verified that the listed USA is authorized to be the USA;
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ACTION REQUIRED: Once all corrections/changes have been made to the List, **you are responsible for submitting a signed DCAA form from an officer or an executive with authority to bind your organization.** A separate DCAA form should be submitted for each DUNS #. For example, one DCAA should be submitted for each of the following registrations: CP, CRRAH, LSE, QSE, Sub-QSE, RE and TDSP. This form **MUST** be submitted to ERCOT **no later than October 1, 2010.** (See ERCOT Protocol §16.11.3.) If your organization cannot comply with the October 1, 2010, deadline, you must contact ERCOT's External Relations Specialist at mpappl@ercot.com to request an extension.

Please send your DCAA form(s) and/or requests for extension by: (i) email to mpappl@ercot.com; (ii) fax to 512-225-7079; or (iii) regular mail to ERCOT, Market Participant Registration, 7620 Metro Center Drive, Austin, Texas 78744.

CONTACT: If you have any questions, please contact your ERCOT Account Manager. You may also call the general ERCOT Client Services phone number at (512) 248-3900 or contact ERCOT Client Services via email at ClientRelations@ercot.com.

If you are receiving email from an ERCOT distribution list that you no longer wish to receive, please follow this link in order to unsubscribe from this list: <http://lists.ercot.com>.

ERCOT Protocols
Section 16: Registration and Qualification of Market
Participants

January 1, 2010

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16 REGISTRATION AND QUALIFICATION OF MARKET PARTICIPANTS

16.1 Registration and Execution of Agreements

ERCOT shall require all Market Participants (MPs) to register and execute the Standard Form Market Participant Agreement and, as applicable, Transmission Congestion Right (TCR) Account Holder Agreement, Reliability Must-Run (RMR) Agreement, and Black Start Agreement.

A Standard Form Market Participant Agreement is provided in Section 22, Agreements, of these Protocols, and shall be posted on the Market Information System (MIS).

All registration procedures and applications necessary to complete registration for any function described herein shall be posted on the MIS. As part of its registration procedures, ERCOT may require:

- (1) Reasonable tests of the ability of MPs to communicate with ERCOT or perform as required under these Protocols;
- (2) An application fee as determined by the ERCOT Board;
- (3) Related agreements for specific purposes, (such as agency designation, meter splitting or network interconnection) that apply only to some MPs; and
- (4) A representation to ERCOT that no officer, owner, partner or other equity interest owner of the Entity was CEO or President or collectively held more than a 20% equity interest in (as owner, partner or other equity interest owner) another Entity at the time of a default where the default resulted in amounts owed to ERCOT remaining unpaid on any Agreement with ERCOT.

16.1.1 Re-Registration as a Market Participant

Any MP that has had one of the following occur must provide to ERCOT a new DUNS Number (DUNS #) to re-register as an MP with ERCOT:

- (1) Its Agreement with ERCOT terminated; or
- (2) Its Customers dropped to the Provider(s) of Last Resort (POLR) pursuant to Section 15.1.3, Mass Transition; or
- (3) Its Customers dropped to a gaining Competitive Retailer (CR) pursuant to Section 15.1.3.

16.2 Registration and Qualification of Qualified Scheduling Entities

16.2.1 *Criteria for Qualification as a Qualified Scheduling Entity (QSE)*

To become and remain registered and qualified as a QSE, an Entity must:

- (1) Execute a Standard Form Market Participant Agreement;
- (2) Demonstrate to ERCOT's reasonable satisfaction that the Entity is capable of performing the functions of a QSE;
- (3) Demonstrate to ERCOT's reasonable satisfaction that the Entity is capable of complying with the requirements of all ERCOT Protocols and guidelines;
- (4) Satisfy ERCOT's creditworthiness requirements as set forth in this Section;
- (5) Comply with the backup plan requirements outlined in the ERCOT Operating Guides; and
- (6) Be generally able to pay its debts as they come due. ERCOT may request evidence of compliance with this qualification only if ERCOT reasonably believes that a QSE is failing to comply with it.

If a QSE chooses to use EDI transactions to receive Settlement Statements and Invoices, it must participate in and successfully complete testing as described in Protocol Section 23, Texas Test Plan Team Retail Market Testing, prior to commencing operations with ERCOT.

QSEs shall promptly notify ERCOT of any change that materially affects the Entity's ability to satisfy the criteria set forth above. If a QSE fails to inform ERCOT within one (1) day of a material change in the information provided which may affect the reliability or safety of the ERCOT System or the financial security of ERCOT, ERCOT may, after providing notice to each Entity represented by the QSE, refuse to accept schedules from the QSE and take any other action ERCOT deems appropriate to prevent ERCOT and/or Market Participants from bearing potential or actual risk(s), financial or otherwise, arising from such deficiency(ies), and in accordance with these Protocols.

A single Entity acting as a QSE may partition itself into subordinate QSEs ("Subordinate QSEs"), each of which shall be treated as individual QSEs for all purposes except communication, liability, financial security, and financial liability requirements under Section 16.2. Notwithstanding the forgoing, if a single Entity requests to partition itself into more than four (4) Subordinate QSEs, ERCOT may implement the request subject to ERCOT's reasonable determination that the additional requested Subordinate QSEs will not be likely to overburden ERCOT's staffing or systems. ERCOT shall adopt an implementation plan allowing phased-in registration for these additional Subordinate QSEs in order to mitigate system or staffing impacts. However, that registration shall not be unreasonably delayed. Security and financial liability shall be cumulated for all Subordinate QSEs for the single Entity executing the Standard Form Market Participant Agreement. The Entity executing the Standard Form Market

Participant Agreement will have overall responsibility for all requirements set forth in this Section 16.2, Registration and Qualification of Qualified Scheduling Entities and any liability contained within these Protocols.

Continued qualification as a QSE is contingent upon adherence to all requirements set forth in these Protocols. ERCOT shall suspend a QSE's rights as a Market Participant at such time as ERCOT reasonably determines that the Entity does not satisfy any criterion.

16.2.2 QSE Qualification Requirements

To meet the minimum requirements for qualification by ERCOT a QSE must:

- (1) Submit an application for qualification, including any applicable fee;
- (2) Execute any required agreements relating to use of the ERCOT network, software and systems;
- (3) Designate a representative who shall be responsible for operational communications and who shall have sufficient authority to commit and bind the QSE and Entities it represents;
- (4) Maintain a twenty-four (24) hour, seven (7) day per week scheduling center with qualified personnel for the purposes of communicating with ERCOT for scheduling purposes and for deploying the QSE's Ancillary Services in Real Time. These personnel shall be responsible for operational communications and shall have sufficient authority to commit and bind the QSE;
- (5) Be financially responsible for payment of settlement charges for those Entities it represents as set forth in Sections 6, 7 and 9 of these Protocols;
- (6) Demonstrate a working functional interface with the ERCOT System and all required ERCOT computer systems;
- (7) Comply with the backup plan requirements outlined in the ERCOT Operating Guides;
- (8) Provide all necessary bank account information and arrange for Fed-Wire System transfers for two-way confirmation; and
- (9) Allow ERCOT, upon reasonable notice, to conduct a site visit for verification of provided information.

16.2.3 Application Process for QSE Qualification

To qualify as a QSE, an applicant must submit to ERCOT a completed QSE application and any applicable fee. ERCOT shall post on the ERCOT MIS the QSE application form, all materials that must be provided with the QSE application, the Standard Form Market Participant Agreement, and the fee schedule, if any, applicable to QSE applications. The QSE application shall be attested to by a duly authorized officer or agent of the applicant. The applicant shall

promptly notify ERCOT of any material changes affecting a pending application using the appropriate form posted on the MIS. The application must be submitted at least sixty (60) days prior to the proposed date of commencement of service.

16.2.3.1 Notice of Receipt of QSE Application

Within three (3) Business Days after receiving each QSE application, ERCOT shall send the applicant a written confirmation that ERCOT has received the application. ERCOT shall return without review any application that does not include the proper application fee. The remainder of this subsection shall not apply to any application returned for failure to include the proper application fee.

16.2.3.2 Sufficiency of Information Provided by QSE Applicant

Within ten (10) Business Days after receipt of a QSE application, ERCOT shall notify the QSE applicant in writing if the QSE application is incomplete. Within ten (10) Business Days after receipt of a QSE application, if ERCOT does not notify an applicant that the application is incomplete, the application shall be deemed complete as of the date of receipt by ERCOT.

If ERCOT determines that a QSE application is not complete, ERCOT's notification shall explain the deficiencies and stipulate the additional information necessary to make the QSE application complete. The QSE applicant shall then have five (5) Business Days from the receipt of ERCOT's notification, or such longer period as ERCOT may allow, to provide the additional required information. If the QSE applicant responds to the ERCOT notification within the allotted time, then the QSE application shall be deemed complete on the date that ERCOT receives the complete additional information from the applicant.

If the QSE applicant does not respond to ERCOT's notification within the time allotted, ERCOT will reject the application and will notify the applicant according to the procedures below.

16.2.3.3 ERCOT Acceptance or Rejection of QSE Application

ERCOT shall approve or reject each QSE application not more than ten (10) Business Days after the QSE application has been deemed complete in accordance with this subsection. Upon reasonable notice to the QSE applicant, ERCOT may conduct a site visit as part of its evaluation of a QSE application. ERCOT may approve a QSE application on the condition that the QSE applicant agrees to a limitation(s) with respect to the types of transactions that it may conduct with ERCOT.

If ERCOT approves a QSE application, it shall send an approval letter to the QSE applicant, along with a Standard Form Market Participant Agreement and any other required agreements relating to use of the ERCOT network, software and systems for the QSE applicant's signature.

If ERCOT rejects a QSE application, ERCOT shall send the QSE applicant a rejection letter explaining the grounds upon which ERCOT has rejected the QSE application. Appropriate grounds for rejecting a QSE application include:

- (1) Required information not provided to ERCOT in the allotted time;
- (2) Non-compliance with technical requirements; and/or
- (3) Non-compliance with other specific eligibility requirements set forth in this Section or in any other part of these Protocols.

Not later than ten (10) Business Days after receipt of a rejection letter, the QSE applicant may challenge the rejection of its QSE application utilizing the dispute resolution procedures set forth in Section 20, Alternative Dispute Resolution Procedures. Regardless of whether or not the QSE applicant challenges the rejection, the applicant may submit a new QSE application and fee and ERCOT shall process the new QSE application in accordance with this subsection.

16.2.4 Remaining Steps for QSE Qualification

Upon receipt of approval notice from ERCOT, an applicant must coordinate or perform the following:

- (1) Return the executed Standard Form Market Participant Agreement and other related agreements to ERCOT;
- (2) Coordinate with ERCOT and other Entities as necessary, to test all communications necessary to participate in the market in the ERCOT Region;
- (3) Submit a Service Filing; and
- (4) Demonstrate compliance with security and financial requirements.

16.2.4.1 Qualified Scheduling Entity Service Filing

Not less than fifteen (15) days prior to commencement of any scheduling activities with ERCOT, each QSE must submit a complete Service Filing, including declaration on any subordinate QSEs. ERCOT shall post on the ERCOT MIS the forms and procedures to be used by QSEs to submit Service Filings. The Service Filing shall include:

- (1) Proof of credit for ERCOT security amount, as detailed below; the security amount will increase or decrease with the addition or discontinuance of represented Market Participants and/or their respective market activity;
- (2) A complete listing of all Entities that the QSE intends to represent. This list will be updated daily up to three (3) days prior to commencement of service by the QSE; and
- (3) The date upon which the QSE proposes to commence scheduling activities with ERCOT.

Not more than three (3) Business Days after receiving each Service Filing, ERCOT shall send a written notification to the QSE that it has received the Service Filing. If the Service Filing is not complete, ERCOT shall notify the QSE by telephone, by email, and certified mail with an explanation of the additional information necessary to make the Service Filing complete.

Not more than ten (10) days after a complete Service Filing (either a filing that is initially complete or one that has been supplemented pursuant to the above procedures) is received by ERCOT, ERCOT shall either notify the QSE it may begin scheduling activities upon its proposed commencement date or that ERCOT has reasonably determined that the QSE's Service Filing is insufficient.

Not later than ten (10) Business Days after receipt of a notice of insufficiency, the QSE may challenge the notice of insufficiency utilizing the dispute resolution procedures set forth in Section 20, Alternative Dispute Resolution Procedures. Regardless of whether or not the QSE challenges the notice of insufficiency, the QSE may submit a new Service Filing and ERCOT shall process the new Service Filing in accordance with this subsection.

16.2.4.2 Maintaining and Updating QSE Information

Each QSE must timely update information provided to ERCOT in the application process, and a QSE must promptly respond to any reasonable request by ERCOT for updated information regarding the QSE or the information provided to ERCOT, including:

- (1) The QSE's addresses;
- (2) A list of Affiliates;
- (3) Designation of the QSE's Authorized Representatives, Contacts, and User Security Administrator (per the Application for Registration as a QSE) including the addresses (if different), titles, telephone and facsimile numbers, and e-mail addresses for such persons; and
- (4) A list of the QSE's officers and directors.

16.2.4.3 Qualified Scheduling Entity Service Termination

If a QSE intends to terminate representation of an LSE or Resource (other than an LSE or Resource serving as its own QSE, in which case this Section does not apply), the QSE will provide Notice to ERCOT and the LSE or Resource no less than twelve (12) Business Days prior to the specified effective termination date ("Termination Date").

Effective at 2400 on the Termination Date specified by the QSE, the QSE will no longer schedule for or represent the terminated LSE or Resource; provided, however, that the QSE is responsible for settlement obligations the QSE has incurred on behalf of the terminated LSE or Resource prior to the termination. The QSE must submit schedules for the Termination Date and

update the schedules pursuant to these Protocols for the Operating Day which is the Termination Date. Notwithstanding the foregoing, if, before the Termination Date, the LSE/Resource:

- (1) affiliates itself with a new QSE, or
- (2) fulfills ERCOT's creditworthiness requirements in order to become an Emergency QSE,

the QSE that provided notice of the intent to terminate representation of the LSE/Resource will no longer be responsible for scheduling for the terminated LSE/Resource upon the effective date of the new QSE's representation of that LSE/Resource or the LSE/Resource qualifying as an Emergency QSE.

Within two (2) Business Days of Notice of a QSE's intent to terminate representation of an LSE, ERCOT shall notify the LSE of the level of credit the LSE must provide should it become an Emergency QSE, as well as the date by which it must post the required collateral.

16.2.5 QSE Financial Security

16.2.5.1 ERCOT Creditworthiness Requirements for QSEs

QSE's must meet ERCOT's creditworthiness requirements and maintain any minimum security amount required, as provided herein and demonstrated in a form acceptable to ERCOT. If the QSE's creditworthiness rating falls below the level required to support the QSE's activity in the market in the ERCOT Region, ERCOT may suspend the QSE's scheduling rights under these Protocols until the QSE submits additional security in accordance with this Section. ERCOT's election not to suspend the QSE's scheduling rights on any particular occasion will not preclude ERCOT from suspending the QSE's scheduling rights on any subsequent occasion.

16.2.5.1.1 Requirements for Establishing Creditworthiness Rating

Minimum short term and long-term debt ratings, minimum average times/interest earning ratio (TIER) and debt service coverage (DSC) ratios, and minimum equity ratios to establish credit worthiness will be adopted by the ERCOT Board of Directors.

A QSE may meet ERCOT's credit requirements, and is not initially required to post security, if the QSE meets one of the following requirements:

- (a) Has an Entity Short-Term or Long-Term Debt Rating that meets or exceeds the Minimum Short-Term and Long-Term Debt Ratings adopted by the Board provided that the Entity shall provide (i) quarterly unaudited financial statements not later than sixty (60) days after the close of each of the issuer's fiscal quarters, and (ii) annual audited financial statements not later than one hundred twenty (120) days after the close of each of the issuer's fiscal year; provided however, that if a QSE's financial statements are publicly available electronically and the QSE provides to ERCOT sufficient information to access

those financial statements, then the QSE shall be deemed to have met this requirement. ERCOT may extend the period for providing annual audited statements on a case by case basis;

- (b) Is an Electric Cooperative, and (i) is a Rural Utilities Service (“RUS”) power supply borrower, and (ii) achieves the average TIER and DSC coverage ratios to be approved by the ERCOT Board, as such terms are defined in the Code of Federal Regulations Chapter XVII, and (iii) maintain an equity level approved by the ERCOT Board; and
- (c) Is a privately held company without Short Term or Long Term Debt Ratings, and (i) has equity in the amount equal to or greater than the minimum equity level approved by the ERCOT Board for a QSE under this subsection, which may be adjusted by the Board from time to time in its discretion; and, (ii) provides its most recent audited annual, and most recent unaudited interim, financial statements and other information as requested by ERCOT on a basis approved by the ERCOT Board (such as annually, quarterly, or monthly).

16.2.5.1.2 Alternative Means of Satisfying ERCOT Creditworthiness Requirements

If the QSE’s activity in the market in the ERCOT Region is greater than the maximum unsecured credit allowed under the standards adopted by the ERCOT Board of Directors (“Unsecured Credit Limit”), the QSE shall submit additional alternative security through one of the following means:

- (1) Another Entity that meets or exceeds the Minimum Debt Ratings, as established by the ERCOT Board, may provide a corporate guarantee of the QSE’s liability to ERCOT in an amount equal to the QSE’s Total Estimated Liability (TEL) or Estimated Aggregate Liability (EAL), whichever is applicable, minus the QSE’s Unsecured Credit Limit; provided that the corporate guarantor meets the requirements set forth in Section 16.2.5.1.1. The guarantee must be provided in the form of the ERCOT Board approved standard form guarantee Agreement.
- (2) The QSE may provide an irrevocable letter of credit naming ERCOT beneficiary in an amount equal to or greater than the QSE’s Total Estimated Liability (TEL) or Estimated Aggregate Liability (EAL), whichever is applicable, minus the QSE’s Unsecured Credit Limit. ERCOT may reject the letter of credit if the issuing bank is unacceptable to ERCOT or if the conditions under which ERCOT can draw against the letter of credit are unacceptable to ERCOT. The letter of credit must be provided in the form of the ERCOT Board approved standard form letter of credit.
- (3) The QSE may provide a surety bond naming ERCOT beneficiary in an amount equal to or greater than the QSE’s Total Estimated Liability (TEL) or Estimated Aggregate Liability (EAL), whichever is applicable, minus the QSE’s Unsecured Credit Limit. The surety bond must be executed by a surety acceptable to ERCOT, in compliance with limits established by the ERCOT Board-approved creditworthiness standards, and must be in the form of ERCOT’s standard form surety bond agreement.

- (4) The QSE may deposit cash in an account designated by ERCOT with the understanding that ERCOT may draw part or all of the cash so deposited to satisfy any overdue payments owed by the QSE to ERCOT. The account may bear interest payable directly to the QSE, provided, however, any such arrangements shall not restrict ERCOT's immediate access to the funds. The cash so deposited shall be in an amount equal to or greater than the QSE's TEL or EAL, whichever applies, minus the QSE's Unsecured Credit Limit. Each QSE agrees that ERCOT has a security interest in all property delivered by the QSE to ERCOT from time to time in order to meet the creditworthiness requirements and that such property secures all amounts owed by the QSE to ERCOT.

16.2.6 Determination and Monitoring of QSE Liability

16.2.6.1 Determination of Total Estimated Liability

ERCOT shall use Total Estimated Liability (TEL) for purposes of Section 16.2.5.1.2, Alternative Means of Satisfying ERCOT Creditworthiness Requirements during the shorter of the first twenty-one (21) days or the first Invoice cycle that the QSE conducts scheduling activities with ERCOT.

16.2.7 Determination of Total Estimated Liability

16.2.7.1 Determination of Initial Total Estimated Liability

ERCOT shall calculate the QSE's initial Total Estimated Liability (TEL), using the following formula:

$$\text{TEL} = \text{DES} \times \text{BEF} \times \text{AEP} \times 40$$

Where:

TEL =	Total Estimated Liability
DES =	Estimated Daily Actual Load Schedule (average MWh) plus estimated Daily Actual Generation Schedule initially provided by the QSE in its Service Filing
BEF =	Balancing Energy Factor is the greater of: <ol style="list-style-type: none"> (a) Twenty percent (20%) or the estimated actual Load imbalance or Resource imbalance percentage for QSEs that schedule only Load or Generation; or (b) The greater of ten percent (10%) or the estimated actual net Load imbalance and Resource imbalance percentage for QSEs that schedule both Load and Generation
AEP =	Average Energy Price in the market in the ERCOT Region. AEP is initially based upon on seasonal historic average prices for Balancing Energy

16.2.7.2 Total Estimated Liability Monitoring

During the shorter of the first twenty-one (21) days or the first Invoice cycle of a QSE's operation in the market in the ERCOT Region, ERCOT shall monitor the QSE's actual outstanding liability incurred to date plus the additional forecasted liability that the QSE may incur in a forty (40) day settlement cycle. To the extent that ERCOT reasonably determines that the TEL so calculated is insufficient to provide adequate financial security to the Market Participants in the market in the ERCOT Region, ERCOT may specify a larger TEL than would be produced by the use of the above formula. The QSE shall maintain security in an amount sufficient to satisfy the greater of the initial TEL or the revised TEL, minus the QSE's Unsecured Credit Limit. If at any time an Entity exceeds the twenty percent (20%) BEF (Load side), which is intended to account for the QSE's potential imbalance energy, collateral must be posted to cover the estimated energy use as determined by ERCOT. During the initial twenty-one (21) day period, ERCOT shall monitor the QSEs actual liability to ERCOT and follow the notification procedures in accordance with this Section.

16.2.7.3 Determination of Estimated Aggregate Liability

This subsection applies to all QSEs. After a QSE receives its first Invoice, ERCOT shall monitor daily and calculate, at least weekly, the QSE's Estimated Aggregate Liability (EAL) based on the formula below. Any QSE that is required to post security is responsible, at all times, for maintaining posted security at or above the amount of its EAL, minus the QSE's Unsecured Credit Limit.

$$\text{EAL} = \text{Greater of ADTE or [Highest TEL or ADTE in effect during the previous 60-day period (adjusted for the SAF)]} + \text{OUT} - \text{TCR}_{\text{ar}} + \text{PUL}$$

Where:

EAL =	Estimated Aggregate Liability
TEL =	Total Estimated Liability (as defined in Section 16.2.7 Determination of Total Estimated Liability)
ADTE =	Average daily transaction, extrapolated, which is calculated as (ADT x 40 days x SAF)
ADT =	Average daily transaction, which is calculated from (the sum of the Initial Settlement Statements included in the two most recent Settlement Invoices less the TCR Congestion credits for the same Invoice period to the extent Secured) / the number of Initial Settlement Statements included in the Invoices
OUT =	Outstanding, unpaid transactions, which include outstanding Invoices + estimated unbilled items, to the extent not adequately accommodated in the ADTE calculation above (including but not limited to Balancing Energy, Ancillary Services, resettlements, final, and true-ups). Invoices will not be considered outstanding for purposes of this calculation if prepaid on or before the second (2 nd) Business Day following issuance of the Invoice

TCR _{ar} =	TCR auction revenue as described in Section 7.5.4, Allocation Method and Timing for Distributing TCR Auction Revenues, estimated for the sixty (60) day forward period
SAF =	Seasonal Adjustment Factor, which compares size of overall market settlement from statement to statement, and is used to more precisely forecast the liability in the period for which settlement data is not yet available. ERCOT shall set this factor equal to one (1)
PUL =	Potential uplift, to the extent and in the proportion that a QSE represents Entities to which an uplift of a short payment will be made pursuant to Section 9.4.4, Partial Payments, item (6). The sum of: <ol style="list-style-type: none"> (1) Amounts expected to be uplifted within one year of the date of the calculation; and (2) Twenty-five percent (25%) [or such other percentage based on available statistics regarding default of reorganized Entities of any short payment amounts being repaid under a payment plan ordered by a bankruptcy court for a defaulting QSE] of amounts due more than one year from the date of the calculation
Secured =	The owner of the TCR credit has granted ERCOT a first priority security interest in receivables generated under or in connection with the TCR Account Holder Agreement to secure any and all obligations arising under: (i) the Standard Form Market Participant Agreement, (ii) any agreement identified in Section 16.1 and/or (iii) these Protocols.

To the extent that ERCOT, using commercially reasonable measures, determines that the EAL so calculated does not adequately match the financial risk to the MPs in the market in the ERCOT Region, ERCOT may specify a larger or smaller EAL than would be produced by the use of the above formula. ERCOT will, to the extent practical, exchange with the QSE that information utilized in determining credit requirements. ERCOT will provide written notification to the QSE of the basis for ERCOT's assessment of the QSE's financial risk.

16.2.7.4 Determination of Aggregate Net Load Imbalance Liability and Net Resource Imbalance Liability (NLRI)

This subsection applies to all QSEs. For any Invoice periods that have not been invoiced in which the sum of:

- (1) The percentage by which a QSE's total estimated Load (MWh) differs from its scheduled Load (MWh); and
- (2) The percentage by which a QSE's total estimated Resource (MWh) differs from its scheduled Resource (MWh)

exceeds twenty percent (20%), ERCOT will monitor daily and calculate, at least weekly, an aggregate incremental Net Load Imbalance Liability and Net Resource Imbalance Liability (NLRI), based on the formula below. Any QSE required to post security is responsible, at all times, for maintaining posted security at or above the amount of its EAL, plus its aggregate incremental NLRI minus its Unsecured Credit Limit.

$$\mathbf{NLRI}_i = \mathbf{SUM}(\mathbf{NLRI}_{qi})$$

$$\mathbf{NLRI}_{qi} = \mathbf{SUM}(\mathbf{NLRI}_{qiz})$$

$$\mathbf{NLRI}_{qiz} = (\mathbf{LI}_{qiz} + \mathbf{RRI}_{qiz})$$

$$\mathbf{LI}_{qiz} = -1 * (\mathbf{SL}_{qiz} - \mathbf{EL}_{qiz}) * \mathbf{MCPE}_{iz} * \mathbf{PM}$$

$$\mathbf{RRI}_{qiz} = (\mathbf{SG}_{qiz} - \mathbf{EG}_{qiz}) * \mathbf{MCPE}_{iz} * \mathbf{PM}$$

Where:

i	interval being calculated
z	zone being settled
\mathbf{LI}_{qiz}	Load Imbalance (\$) per interval per zone per QSE
\mathbf{SL}_{qiz}	Scheduled Load (MWh) per interval per zone per QSE
\mathbf{EL}_{qiz}	Estimated Load (MWh) per interval per zone per QSE,
\mathbf{RRI}_{qiz}	Relaxed Resource Imbalance (\$) per interval per zone per QSE
\mathbf{SG}_{qiz}	Scheduled Generation (MWh) per interval per zone per QSE
\mathbf{EG}_{qiz}	Estimated Generation (MWh) per interval per zone per QSE,
\mathbf{MCPE}_{iz}	Market Clearing Price of Energy (\$/MWh) per interval per zone
PM	Price Multiplier (150% for periods projected forward, 100% for other periods)
NLRI	Net Load Imbalance Liability and Net Resource Imbalance Liability

1. Load Imbalance for Invoice periods that are completed but for which ERCOT has not issued an Invoice, is calculated as the higher of: (a) ERCOT's estimate of the QSE's Load Imbalance for the period or (b) the QSE's estimate of Load Imbalance for the period.
2. Load Imbalance for an Invoice period not yet completed, is calculated as the higher of: (a) ERCOT's estimate of the QSE's Load Imbalance for the most recent seven (7) day period, or (b) the QSE's forecast of Load Imbalance for the next seven (7) day period.
3. ERCOT shall use actual Resource Imbalance for Invoice periods that are completed but for which ERCOT has not issued an Invoice. For periods in which actual Resource Imbalance is not available, and for Invoice periods that are completed but for which ERCOT has not issued an Invoice, Resource Imbalance is calculated as the higher of: (a) ERCOT's estimate of the QSE's Resource Imbalance for the period, including both scheduled and unscheduled Balancing Energy Service, or (b) the QSE's estimated Resource Imbalance for the period.
4. ERCOT shall use actual Resource Imbalance for an Invoice period not yet completed. For periods in which actual Resource Imbalance is not available, and for an Invoice period not yet completed, Resource Imbalance is calculated as the higher of: (a) ERCOT's estimate of the QSE's Resource Imbalance, including both scheduled and unscheduled Balancing Energy Service, for the most recent seven (7) day period, or (b) the QSE's forecast of Resource Imbalance for the next seven (7) day period.

5. ERCOT will review the price per MWh and multiplier at least quarterly to ensure that no less than ninety-five percent (95%) of the price volatility for a one (1) year period is captured in the calculation. Changes to the PM factor will be reviewed and approved by the Finance and Audit Committee. ERCOT will provide notice to Market Participants of any change at least fourteen (14) days prior to the effective date along with the analysis supporting the change.

To the extent that ERCOT, using commercially reasonable measures, determines that the NLRI as calculated above does not adequately match the financial risk to Market Participants, ERCOT may specify a larger or smaller NLRI than that produced by using the above-referenced formula. ERCOT will, to the extent practical, exchange with the QSE the information ERCOT used in determining those credit requirements. ERCOT will provide written notification to the QSE of the basis for ERCOT's assessment of the QSE's financial risk and the applicable credit requirements.

16.2.8 Monitoring of Creditworthiness by ERCOT

ERCOT shall monitor the creditworthiness and credit exposure of each QSE or its guarantor, if any. To enable ERCOT to monitor creditworthiness, each QSE shall provide to ERCOT:

- (1) Its own or its guarantor's quarterly (semi-annually, if the guarantor is foreign and rated by a rating agency acceptable to ERCOT) unaudited financial statements no later than sixty (60) days (ninety (90) days if the guarantor is foreign and rated by a rating agency acceptable to ERCOT) after the close of each of the issuer's fiscal quarters; and
- (2) Its own or its guarantor's annual audited financial statements no later than one hundred twenty (120) days after the close of each of the issuer's fiscal year;

Provided, however, that if a QSE's or its guarantor's financial statements are publicly available electronically and the QSE provides to ERCOT sufficient information to access those financial statements, then the QSE shall be deemed to have met this requirement. ERCOT may extend the period for providing interim unaudited or annual audited statements on a case-by-case basis.

With respect to a QSE that meets ERCOT creditworthiness requirements pursuant to Section 16.2.5.1.1, Requirements for Establishing Creditworthiness Rating, for any portion of its creditworthiness requirement, such QSE shall inform ERCOT within three (3) Business Days if it has experienced a material change that might reduce the QSE's Unsecured Credit Limit and ERCOT may then require that QSE to meet one of the credit requirements of Section 16.2.5.1.2, Alternative Means of Satisfying ERCOT Creditworthiness Requirements. If the QSE fails to promptly satisfy ERCOT creditworthiness requirements, ERCOT may take remedial action as set forth in these Protocols and provide notice thereof to each Entity represented by the QSE.

With respect to a QSE meeting creditworthiness requirements using an alternative means provided in Section 16.2.5.1.2 for any portion of its creditworthiness requirement, that QSE is responsible, at all times, for maintaining security in an amount at or above its TEL, EAL and NLRI, as applicable, minus the QSE's Unsecured Credit Limit. ERCOT shall promptly notify each QSE of changes to its TEL, EAL and NLRI and allow the QSE time, as set forth in

paragraph (1) below, to provide additional security, if necessary, to maintain compliance with Section 16.2.5, QSE Financial Security. If a QSE fails to provide additional security within the time allowed by ERCOT, ERCOT may take remedial action as set forth in these Protocols and provide Notice thereof to each Entity represented by the QSE.

ERCOT shall notify a QSE's Authorized Representative(s) and credit contact when the QSE's EAL reaches ninety percent (90%) of its posted security. ERCOT shall electronically issue a warning advising the QSE that it should consider increasing the amount of security posted with ERCOT. However, ERCOT's failure to issue that warning does not prevent it from exercising any of its other rights under this Section 16, Registration and Qualification of Market Participants. If the QSE does not provide additional security by 1500 (*i.e.*, 3:00 pm) on the second Bank Business Day from the date on which ERCOT provided Notification, then ERCOT may notify the Entities the QSE represents of the QSE's potential suspension.

A QSE's scheduling privilege may be suspended when the sum of its TEL, EAL and NLRI equals or exceeds one hundred percent (100%) of its posted security. The QSE is responsible, at all times, for managing its TEL, EAL and NLRI or posting additional security in order to avoid reaching its credit limit. Any failure by ERCOT to issue a Notification as set forth in this subsection shall not relieve the QSE of the obligation to maintain security in an amount equal to or greater than its TEL, EAL and NLRI. To the extent that a QSE fails to maintain security in an amount equal to or greater than its TEL, EAL, and NLRI, ERCOT shall take the following actions:

- (1) ERCOT shall promptly notify the QSE, on a Business Day, of the amount by which the QSE must increase its security and allow the QSE: (a) until 1500 on the second Bank Business Day from the date on which ERCOT delivered Notification to increase the QSE's security if ERCOT delivered its Notice before 1500 on a Business Day, or (b) until 1700 on the second Bank Business Day from the date on which ERCOT delivered Notification to increase the QSE's security if ERCOT delivered its Notice after 1500 but prior to 1700 on a Business Day. ERCOT shall notify the QSE's Authorized Representative(s) and credit contact if it has not received the required security by 1530 on the day on which the security was due; however, failure to notify the QSE's representatives or contacts that ERCOT did not receive the required security does not prevent ERCOT from exercising any of its other rights under this Section 16.
- (2) ERCOT: (a) may require the QSE to self-arrange all of its Ancillary Service Obligations and (b) shall not permit the QSE to bid for Ancillary Services until it has posted the additional security.
- (3) At the same time as it notifies the QSE, ERCOT may promptly notify each LSE and Resource represented by the QSE that it may have to designate a new QSE(s) if its QSE fails to increase its security.
- (4) If the QSE posts the additional security by the deadline in paragraph (1) above, then ERCOT may notify each LSE and Resource represented by the QSE of that fact and permit the QSE to resume procuring Ancillary Services through ERCOT to meet the QSE's Ancillary Service Obligations.

- (5) If the QSE fails to post the additional security by the deadline in paragraph (1) above, ERCOT may suspend the QSE's right to schedule and shall notify the affected LSE(s) and Resource Entity(ies) that the QSE has failed to post the required security. In the event that ERCOT suspends some or all of a QSE's rights, the affected Resource Entity(ies) and LSE(s) shall meet the requirements in Section 16.2.13.1, Designation as an Emergency QSE or Virtual QSE.
- (6) Notwithstanding any of the foregoing, upon ERCOT's Notification to a QSE that the sum of its TEL, EAL and NLRI equals or exceeds one hundred percent (100%) of its posted security, until the QSE posts the required collateral, ERCOT shall not make payments to that QSE up to the amount of the additional required collateral. The payments that ERCOT will not make to that QSE include TCR Revenues, TCR Credits, reimbursements for short payments and any other reimbursements or credits under any other agreement. ERCOT may retain all such amounts until the QSE has fully complied with its security and/or collateral posting obligations under the Standard Form Market Participant Agreement, other agreements, and/or these Protocols.

16.2.9 Payment Breach and Late Payments by Market Participants

Each Market Participant must ensure that amounts due to ERCOT, or its designee, if applicable, by such Market Participant and, if the Market Participant is a QSE, any Subordinate QSEs it has designated, are submitted in full to ERCOT on a timely basis. Each Subordinate QSE will receive a separate Invoice. Netting of the amounts due by Subordinate QSEs is not allowed. The amount due on the separate Invoices for each Subordinate QSE must be submitted by the close of Bank Business Day of the due date set forth on the Invoice (or, if the due date is not a Bank Business Day, on the next day that is a Bank Business Day). If a Subordinate QSE does not submit the full amount due by close of Bank Business Day of the due date, ERCOT shall deduct the amount due by that Subordinate QSE from the Market Participant and/or any other Subordinate QSE of that Market Participant to the extent of the amount due and not paid by the late paying Subordinate QSE before calculating short payments to other ERCOT Market Participants.

The failure of a Market Participant to pay when due any payment or collateral obligation owed to ERCOT or its designee, if applicable, under the Standard Form Market Participant Agreement, any agreement identified in these Protocols, or otherwise shall constitute an event of "Payment Breach." Additionally, any Payment Breach by a Market Participant will constitute a default under any and all other agreements between ERCOT and the Market Participant. In the event of a Payment Breach, ERCOT will immediately contact the Authorized Representative(s) and credit contact of the Market Participant telephonically and will make appropriate written notices, as described below, and demand payment of the past due amount. Upon a Payment Breach, ERCOT may impose the below-listed remedies for Payment Breach ("Breach Remedies"), as set forth in Section 16.2.9.1, ERCOT's Remedies, in addition to any other rights or remedies it has under the Standard Form Market Participant Agreement, other agreements, the Protocols or the common law.

If a Market Participant makes a payment or any portion of a payment or a collateral call to ERCOT after the due date and time, such payment shall constitute a “Late Payment.” If ERCOT receives a Late Payment which fully pays the Market Participant’s payment or collateral obligation to ERCOT within two (2) Bank Business Days of the due date, ERCOT will waive the Payment Breach, except for ERCOT’s Remedies for Late Payments, as set forth in Section 16.2.9.2, ERCOT’s Remedies for Late Payments. Even if ERCOT chooses to not immediately impose Default Remedies against a Market Participant because the Market Participant has fully paid its obligation within two (2) Bank Business Days, ERCOT shall track the number of Late Payments received from each Market Participant in any rolling twelve (12) month period, for purposes of imposing the Late Payment Remedies set forth below in Section 16.2.9.2.

16.2.9.1 ERCOT’s Remedies

In addition to all other remedies that ERCOT has, pursuant to the Standard Form Market Participant Agreement, other agreements, these Protocols or the common law, for Payment Breaches and other defaults by a Market Participant, ERCOT has the following additional remedies:

16.2.9.1.1 No Payments by ERCOT to Market Participant

ERCOT shall not make any payment to a Market Participant unless or until the Market Participant cures the Payment Breach. The payments ERCOT will not make to a Market Participant in breach of any agreement with ERCOT include TCR Revenues, TCR Credits, reimbursements for short payments, and any other reimbursements or credits under any other agreement. ERCOT shall retain all such amounts until the Market Participant has fully paid all amounts owed to ERCOT under Standard Form Market Participant Agreement, other agreements and/or these Protocols. If the Market Participant should fail to pay the full amount due, ERCOT may apply all funds it withheld toward the payment of the delinquent amount.

16.2.9.1.2 ERCOT May Draw On, Hold or Distribute Funds

Upon a Payment Breach, ERCOT, at its option and its sole discretion, without notice to the Market Participant, may immediately, or at any time, draw on, hold or distribute to Market Participants any security or other funds of the Market Participant in ERCOT’s possession. If the funds drawn exceed the amount applied to any Payment Breach, then ERCOT may hold the excess funds as security.

16.2.9.1.3 Aggregate Amount Owed by Market Participant Immediately Due

ERCOT shall aggregate all amounts due it by the Market Participant under the Standard Form Market Participant Agreement, any other agreement with ERCOT or the Protocols into a single amount to the fullest extent allowed by law. The entire unpaid net balance owed to ERCOT by the Market Participant, at ERCOT’s option and sole discretion, shall become immediately due

and payable without further notice and demand for payment, which notice and demand are expressly waived by the defaulting Market Participant.

16.2.9.1.4 Revocation of a Market Participant's Rights and Termination of Agreements

ERCOT may revoke one or more of a Market Participant's rights to conduct activities under these Protocols. ERCOT may also terminate a Standard Form Market Participant Agreement with ERCOT and may terminate any and all other agreements between that Market Participant and ERCOT.

If ERCOT revokes a Market Participant's rights or terminates a Standard Form Market Participant Agreement, then the provisions of Section 16.2.12, Suspended Qualified Scheduling Entity – Notification to LSEs and Resource Entities Represented, and Section 16.2.13.1, Designation as an Emergency QSE or Virtual QSE apply.

If the breaching Market Participant is an LSE (whether or not the breach occurred pursuant to the Market Participant's activities as an LSE), then:

- (1) Within twenty-four (24) hours of receiving notice of the Payment Breach, the Market Participant shall provide to ERCOT all the information regarding its ESI IDs set forth in the ERCOT Retail Market Guide and
- (2) On revocation of some or all of the Market Participant's rights or termination of its Agreements and upon notice to the Market Participant and the PUCT, ERCOT shall initiate a mass transition of the LSE's ESI IDs pursuant to Section 15.1.3, Mass Transition, without the necessity of obtaining any order from or other action by the PUCT.

After revocation of its rights or termination of its agreements with ERCOT, the Market Participant will remain liable for all charges or costs associated with any continued activity related to the Market Participant's relationship with ERCOT and any costs and expenses arising from the consequences of such termination or revocation.

16.2.9.2 ERCOT's Remedies for Late Payments

If a Market Participant makes any Late Payments, and even if ERCOT does not immediately implement the above remedies for any Payment Default, ERCOT is hereby empowered to, and ERCOT shall, take action for Late Payments as follows:

16.2.9.2.1 First Late Payment in any rolling twelve (12) month period

For the first Late Payment in any rolling twelve (12) month period, ERCOT shall review the circumstances and reason for the Late Payment, and shall, at its sole discretion, determine whether it should take Level I Enforcement action against the Market Participant. ERCOT will send a Notification to the Authorized Representatives and credit contact of the Market Participant advising the Market Participant whether or not ERCOT will take Level I

Enforcement action and advising the Market Participant of the action required under Level I Enforcement, if applicable.

16.2.9.2.2 *Second Late Payment in any rolling twelve (12) month period*

For the second Late Payment in any rolling twelve (12) month period, ERCOT shall review the circumstances and reason for the Late Payment, and may take action as follows:

- (1) If ERCOT did not take Level I Enforcement action in the case of the First Late Payment, ERCOT may take Level I Enforcement action related to this Late Payment.
- (2) If ERCOT did take Level I Enforcement action in the case of the First Late Payment, ERCOT may take Level II Enforcement action related to this Late Payment.
- (3) ERCOT shall send Notification to the Authorized Representatives and credit contact of the Market Participant; advising the Market Participant of the action required under Level I or Level II Enforcement.

16.2.9.2.3 *Third Late Payment in any rolling twelve (12) month period*

For the third Late Payment in any rolling twelve (12) month period, ERCOT shall review the circumstances and reason for the Late Payment, and may take action as follows:

- (1) If ERCOT did not take Level II Enforcement action in the case of the Second Late Payment, ERCOT may take Level II Enforcement action related to this Late Payment.
- (2) If ERCOT did take Level II Enforcement action in the case of the Second Late Payment, ERCOT may take Level III Enforcement action related to this Late Payment.
- (3) ERCOT shall send Notification to the Authorized Representatives and credit contact of the Market Participant advising the Market Participant of the action required under Level II or Level III Enforcement.

16.2.9.2.4 *Fourth and all subsequent Late Payments in any rolling twelve (12) month period*

For the fourth and all subsequent Late Payments in any rolling twelve (12) month period:

- (1) ERCOT may take Level III Enforcement action related to this Late Payment.
- (2) ERCOT shall send Notification to the Authorized Representatives and credit contact of the Market Participant advising the Market Participant of the action required under Level III Enforcement.

16.2.9.2.5 Level I Enforcement

Under Level I Enforcement, the Market Participant shall comply with one of the following requirements; whichever is appropriate as determined by ERCOT at its sole discretion:

- (1) If the Market Participant has not been required to provide security, the Market Participant shall now be required to provide security within two (2) Bank Business Days, in an amount at or above one hundred ten percent (110%) of:
 - (a) The amount of the Market Participant's Total Estimated Liability (TEL) or Estimated Aggregate Liability (EAL)) less the Unsecured Credit Limit; or
 - (b) Any other liability to ERCOT that the Market Participant has or is expected to have for activity in the ERCOT Region, whichever applies.
- (2) If the Market Participant already provided security, it shall increase its posted security, within two (2) Bank Business Days, to an amount at or above one hundred ten percent (110%) of:
 - (a) Its TEL or EAL, less its Unsecured Credit Limit; or,
 - (b) Any other liability to ERCOT that the Market Participant has or is expected to have for activity in the ERCOT Region, whichever applies.

16.2.9.2.6 Level II Enforcement

Under Level II Enforcement, the Market Participant shall post, within two (2) Bank Business Days, security in the form of a cash deposit or letter of credit, as chosen by ERCOT at its sole discretion, at one hundred ten percent (110%) of the Market Participant's TEL or EAL, less the Unsecured Credit Limit or for any other liability to ERCOT that the Market Participant has or is expected to have for activity in the ERCOT Region, whichever applies.

FAILURE TO COMPLY WITH INCREASED SECURITY REQUIREMENTS UNDER LEVEL I OR LEVEL II ENFORCEMENT MAY RESULT IN SUSPENSION OF THE QSE'S RIGHT TO SCHEDULE IN THE MARKET IN THE ERCOT REGION UNTIL SUCH SECURITY IS ESTABLISHED, AND WILL CONSTITUTE GROUNDS FOR TERMINATION OF THE MARKET PARTICIPANT'S AGREEMENTS WITH ERCOT.

INCREASED SECURITY REQUIREMENTS UNDER THIS SUBSECTION SHALL REMAIN IN EFFECT FOR A MINIMUM OF SIXTY (60) DAYS AND SHALL REMAIN IN EFFECT THEREAFTER UNTIL ERCOT, AT ITS SOLE DISCRETION, DECIDES TO REDUCE SUCH SECURITY REQUIREMENTS.

16.2.9.2.7 Level III Enforcement

ERCOT shall make reasonable efforts to meet with the Authorized Representative(s) and credit contact of the Market Participant to discuss the Late Payment occurrences. ERCOT shall take one or more of the following actions:

- (1) Advise the Authorized Representative(s) that a subsequent Late Payment in the rolling twelve (12) month period could result in termination of the Market Participant's right to schedule capacity or energy in the ERCOT Region; or
- (2) Take action under Section 16.2.9.1.4, Revocation of a Market Participant's Rights and Termination of Agreements, above.

16.2.10 Release of QSE's Security Requirement

ERCOT may, at its sole discretion, following the termination of a Standard Form Market Participant Agreement and within thirty (30) days of being satisfied that no sums remain owing, or will become due and payable, by the Market Participant under these Protocols, return or release to the Market Participant, as appropriate, any security provided under this Section.

16.2.11 Posting of Recognized QSE List

ERCOT shall post on the ERCOT MIS and maintain current a list of all recognized QSEs. ERCOT shall include with such posting a cautionary statement that inclusion on such list does not necessarily mean that a QSE is entitled to provide any service to a third party, nor does it obligate a QSE to provide any service to a third party.

16.2.12 Suspended Qualified Scheduling Entity – Notification to LSEs and Resource Entities Represented

If a QSE can no longer function as a QSE or if ERCOT suspends the QSE's qualification, ERCOT shall notify the affected LSEs and Resource Entities that the QSE has been suspended and the effective date of such suspension.

If an LSE or Resource Entity represented by the failed or suspended QSE is the same Entity as the failed or suspended QSE, the provisions of Section 16.2.9.1.4, Revocation of a Market Participant's Rights and Termination of Agreements, shall apply to that LSE or Resource Entity, and that LSE or Resource Entity shall not be entitled to become an Emergency QSE.

16.2.13 Emergency Qualified Scheduling Entity**16.2.13.1 Designation as an Emergency QSE or Virtual QSE**

- (1) If a QSE has given Notice of its intent to terminate its relationship with an LSE or Resource Entity, that LSE or Resource Entity must, by noon on the fourth Business Day after the termination notice date, either
 - (a) Designate a new QSE with such relationship to take effect on the Termination Date, or earlier if allowed by ERCOT; or
 - (b) Satisfy all necessary creditworthiness requirements for QSEs as described in this Section 16.2, Registration and Qualification of Qualified Scheduling Entities.
- (2) If ERCOT has given notice of an LSE's or Resource Entity's QSE's suspension, that LSE or Resource Entity will be designated as a Virtual QSE for up to two (2) Bank Business Days, during which time it must either:
 - (a) Designate and begin operations with a new QSE; or
 - (b) Satisfy all necessary creditworthiness requirements for QSEs as described in Section 16.2, Registration and Qualification of Qualified Scheduling Entities, and operate as Emergency QSE as described below.
- (3) If an LSE or Resource Entity meets the creditworthiness requirements, the LSE or Resource Entity may be designated as an Emergency QSE and may, be issued digital certificates and given access to the scheduling capabilities of the MIS as determined by ERCOT.

- (4) If an LSE fails to meet the requirements of one of the options set forth in paragraph (1) or (2) above within the requisite timeframe, ERCOT shall, after notice to the LSE and the PUCT, initiate a Mass Transition of the LSE's ESI IDs pursuant to Section 15.1.3, Mass Transition.
- (5) If a Resource Entity fails to meet the requirements of one of the options set forth in paragraph (1) or (2) above within the requisite timeframe, ERCOT may allow the Resource Entity additional time, as determined by ERCOT staff, to meet the requirements.
- (6) For any Operating Day in which and LSE or Resource Entity is not either represented by a QSE or qualified as an Emergency QSE, ERCOT may designate the LSE or Resource Entity as a Virtual QSE. ERCOT may issue digital certificates to the Virtual QSE for access to the scheduling capabilities of the MIS. A Virtual QSE shall be liable for any and all charges associated with Initial, Final and True-Up Settlements as well as any Resettlements applying to dates during which the Virtual QSE represented ESI IDs or otherwise incurred charges pursuant to these Protocols, along with any and all costs incurred by ERCOT in collecting such amounts.
- (7) ERCOT shall maintain a referral list of qualified QSEs on the public MIS who request to be listed as providing QSE services on short notice. The list shall include the QSE's name, contact information and whether they are qualified to represent Load and/or Resources and/or provide Ancillary Services. ERCOT shall not be obligated to verify the abilities of any QSE so listed. ERCOT shall require all QSEs listed to confirm their inclusion on the referral list no later than the start of each calendar year.

16.2.13.2 Scheduling by an Emergency QSE or a Virtual QSE

An Emergency QSE or a Virtual QSE:

- (1) May represent only itself and may only submit schedules representing QSE-to-QSE trades and its Obligations; and
- (2) If a LSE, may submit schedules for transactions described in item (1) above only to the extent that those transactions are intended to serve the Load of its own ESI IDs; and
- (3) If a Resource Entity, may submit Schedules for transactions described in item (1) above only to the extent that those Schedules are wholly provided by the Resource Entity's Resource(s).

16.2.13.3 Requirement to Obtain New QSE or QSE Qualification

Within seven (7) Business Days of receiving designation as an Emergency QSE, an Emergency QSE must either:

- (1) Designate a QSE that will represent the LSE or Resource Entity for purposes of scheduling and settlement with ERCOT, or;
- (2) Fulfill all QSE registration and qualification requirements.

After completing the requirements in item (2), ERCOT may redesignate the Emergency QSE as a QSE.

If an Emergency QSE that is an LSE fails to meet at least one of the requirements listed above within the allotted time, then ERCOT shall, after notice to the Emergency QSE and the PUCT, initiate a Mass Transition of the LSE's ESI IDs pursuant to Section 15.1.3, Mass Transition.

If an Emergency QSE that is a Resource Entity fails to meet at least one of the requirements listed above within the allotted time, ERCOT may allow the Resource Entity additional time, as determined by ERCOT staff, to meet the requirements.

16.2.14 Acceleration

Upon termination of a Market Participant's rights under any of the agreement(s) between ERCOT and the Market Participant, all sums owed to ERCOT shall immediately be accelerated and be immediately due and owing in full. At such time, ERCOT may immediately draw upon any security or other collateral pledged by the Market Participant and may offset or recoup all amounts due to ERCOT to satisfy such due and owing amounts.

16.3 Registration of Load Serving Entities

Load Serving Entities (LSEs) provide electric service to Customers and Wholesale Customers. LSEs include Non-Opt In Entities, Competitive Retailers (CRs) and Retail Electric Providers (REPs). All LSEs operating in ERCOT, and/or in non-ERCOT portions of the state of Texas in areas where Customer Choice is in effect must register with ERCOT. To become registered as a LSE, an Entity must execute a Standard Form Market Participant Agreement, designate LSE Authorized Representatives, contacts, and User Security Administrator (per the Application for Registration as an LSE), and demonstrate to ERCOT's reasonable satisfaction that it is capable of performing the functions of a Load Serving Entity as described in applicable Sections of these Protocols. Additionally, a REP must demonstrate certification by the Public Utility Commission of Texas (PUCT) Requirements for Competitive Retailer registration.

16.3.1 Registration Process of Load Serving Entities

Any LSE operating in ERCOT, and/or Non-ERCOT portions of the state of Texas in areas where Customer Choice is in effect must file a Load Serving Entity application (“LSE application”) as set forth in this subsection. In addition, ERCOT may require that the Entity satisfactorily complete testing of interfaces between the Entity’s systems and relevant ERCOT systems. The LSE application shall include any LSE application fee set forth in ERCOT’s Service Fee Schedule posted on the MIS.

A LSE operating in the ERCOT Region must designate a QSE for scheduling and settlement with ERCOT.

REPs are required to submit a copy of their final certification from the PUCT as part of the registration process.

All CRs must participate in and successfully complete testing as described in Protocol Section 23, Texas Test Plan Team - Retail Market Testing, prior to commencing operations with ERCOT.

16.3.1.1 Technical and Managerial Resource Requirements

Technical and managerial resource requirements for LSEs include:

- (1) Capability to comply with all policies, rules, guidelines, and procedures established by these Protocols, ERCOT or other Independent Organization, if applicable.
- (2) Capability to comply with ERCOT’s registration requirements or other Independent Organization and its system rules and contract for the purchase of power from Entities registered with or by the ERCOT or Independent Organization and capable of complying with its system rules.
- (3) (ERCOT LSEs only) Purchase of capacity and reserves, or other Ancillary Services, as may be required by ERCOT or other Independent Organization to provide adequate electricity to all the applicant’s Customers in its area.

16.3.1.2 Designation of a QSE

Each applicant shall designate in its application the QSE that will represent the applicant for purposes of scheduling and settlement with ERCOT. Each applicant shall acknowledge in its application that it bears sole responsibility for selecting and maintaining a commercial relationship with a QSE. The applicant shall include in its application, a written statement from the designated QSE acknowledging that the QSE accepts responsibility for the applicant’s scheduling and settlement transactions pursuant to these Protocols.

An LSE may be required to designate a backup QSE as demonstrated in this section.

If an LSE fails to maintain a commercial relationship with a QSE, the LSE may be designated as an Emergency QSE as provided in this Section.

16.3.1.3 Incomplete Applications

Not more than ten (10) Business Days after receipt of each application, ERCOT shall notify the applicant in writing whether the application is complete.

If ERCOT determines that an application is not complete, ERCOT's notification shall explain the reasons therefore and the additional information necessary to make the application complete. The applicant shall then have five (5) Business Days from the receipt of ERCOT's notification, or such longer period as ERCOT may allow, to provide the additional information set forth in ERCOT's notification. If the applicant timely responds to ERCOT's notification, then the application shall be deemed complete on the date that ERCOT receives the applicant's response.

If the applicant does not timely respond to ERCOT's notification, then the application shall be rejected, and ERCOT shall retain any application fee included with the application.

16.3.1.4 Approval of the Application for CRs

ERCOT shall approve or reject each application not more than ten (10) Business Days after the application has been deemed complete in accordance with this subsection. Upon reasonable notice to the applicant, ERCOT may conduct a site visit as part of its evaluation of an application.

If ERCOT approves an application, it shall send an approval letter to the applicant, along with a Standard Form Market Participant Agreement and any required software licensing agreements for the applicant's signature. The CR shall be deemed registered when ERCOT receives back the executed Standard Form Market Participant Agreement.

If ERCOT rejects an application, ERCOT shall send the applicant a rejection letter explaining the grounds upon which ERCOT has rejected the application. Appropriate grounds for rejecting an application include:

- (1) Non-compliance with technical requirements; and
- (2) Non-compliance with other specific eligibility requirements set forth in this Section or in any other part of these Protocols.

Not later than ten (10) Business Days after receipt of a rejection letter, the applicant may challenge the rejection of its application utilizing the dispute resolution procedures set forth in Section 20, Alternative Dispute Resolution Procedures. Regardless of whether or not the applicant challenges the rejection, the applicant may submit a new application and ERCOT shall process the new application in accordance with this subsection.

16.3.2 Requirements for Reporting and for Changing the Terms of an LSE Registration

In order to maintain its registration status, the LSE must keep the registration information up to date, pursuant to the following requirements:

- (1) An LSE may change its designation of QSE no more than once in any given three (3) day period. The LSE shall include a written statement from the designated QSE acknowledging that the QSE accepts responsibility for the LSE's scheduling and settlement transactions pursuant to these Protocols.
- (2) Each LSE shall notify ERCOT within seven (7) Business Days of any material changes in the information included on its application.
- (3) If an LSE's representation by a QSE will terminate or the LSE intends to be represented by a different QSE, the LSE shall submit updated QSE representation information to ERCOT no less than six (6) days prior to the effective date. Within two (2) days of receiving notice, ERCOT will notify all affected parties, including the LSE's current QSE, of the effective date of the change.

16.3.3 LSEs Outside of ERCOT

LSEs operating only outside of the ERCOT Region are not required to designate a QSE.

Any LSE operating only outside of the ERCOT Region but within the state of Texas ("Non-ERCOT LSE") is required to register with ERCOT, but shall not be required to comply with those sections of the Protocols that relate only to operations in the ERCOT Region.

16.4 Registration of ERCOT and Non-ERCOT Transmission and Distribution Service Providers (TDSP)

Any Entity operating as a Transmission and/or Distribution Service Provider (TDSP) within the ERCOT Region, including Municipally Owned Utilities (MOUs) and Electric Cooperatives (ECs), shall register as a TDSP with ERCOT. Any TDSP operating only outside of the ERCOT Region but within the state of Texas ("Non-ERCOT TDSP") shall also register as a TDSP, provided that Non-ERCOT TDSPs shall not be required to comply with sections of the Protocols relating only to operations in the ERCOT Region. To register as a TDSP, an Entity must comply with the backup plan requirements outlined in the ERCOT Operating Guides, designate TDSP Authorized Representatives, contacts, and User Security Administrator (per the Application for Registration as a TDSP), execute a Standard Form Market Participant Agreement and be capable of performing the functions of a TDSP as described in these Protocols.

All TDSPs operating within portions of the state of Texas in areas where Customer Choice is in effect (including opt-in MOUs and Cooperatives) must participate in and successfully complete testing as described in Section 23, Texas Test Plan Team - Retail Market Testing, prior to commencing operations with ERCOT.

16.5 Registration of Generation Resources, Loads Acting as a Resource and Emergency Interruptible Load Service Resources

Every Generation Resource connected to the ERCOT Transmission System, distributed generator over one (1) megawatt (MW), Load acting as a Resource and Emergency Interruptible Load Service (EILS) Resource must register with ERCOT.

Distributed generation is an electrical generating facility located at a Customer's point of delivery (point of common coupling) of ten (10) megawatts (MW) or less and connected at a voltage less than or equal to sixty (60) kilovolts (kV) which may be connected in parallel operation to the utility system.

To register as a Resource Entity, an applicant must submit a Resource Entity application, execute a Standard Form Market Participant Agreement, designate Resource Entity Authorized Representatives, contacts, and User Security Administrator (per the Application for Registration as a Resource Entity), and be capable of performing the functions of a Resource Entity as described in these Protocols.

EILS Resources are not considered Resource Entities. EILS Resources shall register with ERCOT by completing and signing Appendix A, To Supplement to QSE Agreement (*Acknowledgement by EILS Resource Owning or Controlling Entity*), of Section 22(K), Standard Form Emergency Interruptible Load Service (EILS) Agreement.

16.5.1 Responsibilities of the Resource

Each Resource shall be responsible for conducting its operations in accordance with all applicable ERCOT Protocols and guidelines.

16.5.1.1 Waiver for Federal Hydroelectric Facilities

ERCOT may grant a waiver to any federally owned hydroelectric Resource facility, within the ERCOT system, from fulfilling the requirements in Section 16.5 as they pertain to the submission of a Resource application and the execution of a Standard Form Market Participant Agreement. ERCOT may grant such waiver after the federally owned hydroelectric Resource facility provides ERCOT with the following:

- (1) All information necessary to meet the Resource registration requirements as provided in Section 16, Registration and Qualification of Market Participants;
- (2) The designation of a QSE for the Resource; and
- (3) A Load Serving Entity must be assigned to the ESI ID associated with any Load or net Load, if the Resource is net metered, which will be connected to the ERCOT System. Such Load, if retail Load, shall be subject to all applicable rules and procedures, including rules concerning disconnection and POLR service, applicable to retail points of delivery.

16.5.1.2 Waiver for Block Load Transfer Resources

ERCOT may grant a waiver to any BLT Resource from fulfilling the requirements in Section 16.5, Registration of Generation Resources and Loads Acting as a Resource, as they pertain to the submission of a Resource application and the execution of a Standard Form Market Participant Agreement. ERCOT may grant such waiver after the BLT Resource provides ERCOT with the following:

- (1) All applicable information necessary to meet the Resource registration requirements as provided in Section 16; and
- (2) The designation of a QSE for the BLT Resource.

16.5.2 Registration Process for a Resource

To register as a Resource, an Entity must:

- (1) Designate and maintain a relationship with a QSE or QSEs as specified in the Protocols,
- (2) Demonstrate to ERCOT's reasonable satisfaction that it is capable of performing the functions of a Resource,
- (3) Demonstrate that it is capable of complying with the requirements of all ERCOT Protocols and guidelines.

16.5.2.1 Technical and Managerial Resource Requirements

Technical and managerial resource requirements for Resources include:

- (1) Capability to comply with all policies, rules, guidelines, and procedures established by these Protocols, ERCOT or other Independent Organization, if applicable.
- (2) Capability to comply with ERCOT's registration requirements or other Independent Organization and its system rules and contract for the purchase of power from Entities registered with or by the ERCOT or Independent Organization and capable of complying with its system rules.

16.5.2.2 Designation of a QSE

Each applicant shall designate in its Resource application the QSE that will represent the applicant for purposes of scheduling and settlement with ERCOT. Each applicant shall acknowledge in its application that it bears sole responsibility for selecting and maintaining a commercial relationship with a QSE. The applicant shall include in its application, a written statement from the designated QSE acknowledging that the QSE accepts responsibility for the applicant's scheduling and settlement transactions pursuant to these Protocols.

16.5.2.3 Incomplete Resource Applications

Not more than ten (10) Business Days after receipt of each application, ERCOT shall notify the applicant in writing whether the application is complete.

If ERCOT determines that an application is not complete, ERCOT's notification shall explain the reasons therefore and the additional information necessary to make the application complete. The applicant shall then have five (5) Business Days from the receipt of ERCOT's notification, or such longer period as ERCOT may allow, to provide the additional information set forth in ERCOT's notification. If the applicant timely responds to ERCOT's notification, then the application shall be deemed complete on the date that ERCOT receives the applicant's response.

If the applicant does not timely respond to ERCOT's notification, then the application shall be rejected, and ERCOT shall retain any application fee included with the application.

16.5.2.4 Approval of the Resource Application

ERCOT shall approve or reject each application not more than ten (10) Business Days after the application has been deemed complete in accordance with this subsection. Upon reasonable notice to the applicant, ERCOT may conduct a site visit as part of its evaluation of an application.

If ERCOT approves an application, it shall send an approval letter to the applicant, along with an agreement and any required software licensing agreements for the applicant's signature. The Resource shall be deemed registered when ERCOT receives back the executed agreement.

If ERCOT rejects an application, ERCOT shall send the applicant a rejection letter explaining the grounds upon which ERCOT has rejected the application. Appropriate grounds for rejecting an application include:

- (1) Non-compliance with technical requirements; and
- (2) Non-compliance with other specific eligibility requirements set forth in this Section or in any other part of these Protocols.

Not later than ten (10) Business Days after receipt of a rejection letter, the applicant may challenge the rejection of its application utilizing the dispute resolution procedures set forth in Section 20, Alternative Dispute Resolution Procedures. Regardless of whether or not the applicant challenges the rejection, the applicant may submit a new application and ERCOT shall process the new application in accordance with this subsection.

16.5.3 Requirements for Reporting and for Changing the Terms of a Resource Registration

In order to maintain its registration status, the Resource must keep the registration information up to date, pursuant to the following requirements:

- (1) A Resource may change its designation of QSE no more than once in any given three (3) day period.
- (2) The Resource shall include a written statement from the designated QSE acknowledging that the QSE accepts responsibility for the Resource's scheduling and settlement transactions pursuant to these Protocols.
- (3) If a Resource's representation by a QSE will terminate or the Resource intends to be represented by a different QSE, the Resource shall submit updated QSE representation information to ERCOT. Within two (2) days of receiving notice, ERCOT will notify all affected parties, including the Resource's current QSE, of the effective date of the change.
- (4) If a Resource receives notification from its QSE or from ERCOT that its current QSE intends to terminate representation, then the Resource must submit updated QSE representation information to ERCOT in accordance with this Section. ERCOT's systems will reflect the relationship between the Resource and its new QSE upon successful completion of all necessary testing, e.g., telemetry, SCADA and RTU (Remote Terminal Unit) points. ERCOT will notify all affected parties (current QSE, new QSE, and affected Resource) of the effective date.
- (5) If a Resource Entity has a Switchable Resource with a requirement in the grid outside the ERCOT Region for the months of July through August (peak period), it shall report to ERCOT in writing on June 8, 2005 and then annually by April 1, the days that the identified capacity will not be available to the ERCOT System during the peak period.

Each Resource shall notify ERCOT within seven (7) Business Days of any material changes in the information included on its application, except as specified in Section 16.5.3(5).

16.6 Registration of Municipally Owned Utilities and Electric Cooperatives in the ERCOT Region

A Municipally-Owned Utility and Electric Cooperative (MOU/Coop) is required to register with ERCOT and sign the Standard Form Market Participant Agreement and indicate the applicable functions it performs in the ERCOT Region, regardless of whether planning to be a Non-Opt In or a Competitive Retailer.

Municipally Owned Utilities and Cooperatives in the ERCOT Region, must notify ERCOT six (6) months prior to opting into retail competition, and register with ERCOT as a Competitive Retailer.

Every MOU/Coop must designate a QSE to schedule and settle with ERCOT on its behalf.

All non-opt-in utilities shall have ESI-IDs assigned to their wholesale points of delivery as specified in these Protocols. The ESI-IDs must be assigned to an LSE.

16.7 Registration of REC Account Holders

Any Entity wishing to participate in the REC Trading Program shall register with ERCOT and execute a Standard Form Market Participant Agreement prior to participating in such program.

16.8 Registration of TCR Account Holders

Any Entity wishing to participate in the auction and registration of TCRs shall register with ERCOT and execute a TCR Account Holder Agreement prior to any participation in such program. In order to participate in the TCR auction, TCR bidders must meet the financial requirements approved by the ERCOT Board.

16.8.1 Qualification of a TCR Account Holder

16.8.1.1 Criteria for Qualification as a TCR Account Holder

To be qualified as a TCR Account Holder, an Entity must:

- (1) Execute a TCR Account Holder Agreement (the standard form is provided in Section 22 and posted on the MIS);
- (2) Demonstrate to ERCOT's reasonable satisfaction that the Entity is capable of performing the functions of a TCR Account Holder; and
- (3) Satisfy ERCOT's creditworthiness requirements as set forth in this Section, if applying to bid in ERCOT's TCR Auction.

TCR Account Holders shall promptly notify ERCOT of any change that materially affects the Entity's ability to satisfy the criteria set forth above. If a TCR Account Holder fails to inform ERCOT within one (1) calendar day of a material change in the information provided which may affect the reliability or safety of the ERCOT System or the financial security of ERCOT, ERCOT may refuse to accept bids or TCR transfers from the TCR Account Holder and take any other action deemed appropriate.

Continued qualification, as a TCR Account Holder is contingent upon adherence to all requirements set forth in these Protocols. ERCOT shall suspend the TCR Account Holder's rights at such time as ERCOT reasonably determines that the Entity does not satisfy the criteria set forth above.

Unbundled TDSPs may not be TCR Account Holders.

16.8.1.2 TCR Account Holder Qualification Requirements

To meet the minimum requirements for qualification by ERCOT, a TCR Account Holder must:

- (1) Submit an application for qualification, including any applicable fee.
- (2) Execute any required agreements relating to use of the ERCOT network, software and systems.
- (3) Be financially responsible for payment of any applicable settlement charges as set forth in Sections 6, 7 and 9 of these Protocols.
- (4) Demonstrate a working functional interface with any required applicable ERCOT systems as defined by these Protocols; and
- (5) Provide all necessary bank account information and arrange for Fed-Wire System transfers for two-way confirmation.

16.8.1.3 Application Process for TCR Account Holder Qualification

To qualify as a TCR Account Holder, a TCR Account Holder applicant must submit to ERCOT a TCR Account Holder application, TCR Account Holder credit application, if applicable, and any applicable fee. ERCOT shall post on the ERCOT MIS the form in which the TCR Account Holder application must be submitted, all materials that must be provided with the TCR Account Holder application, the TCR Account Holder Agreement, and the fee schedule, if any, applicable to TCR Account Holder applications and TCR Account Holder credit application. The TCR Account Holder application shall be attested to by a duly authorized officer or agent of the TCR Account Holder applicant. The TCR Account Holder applicant shall promptly notify ERCOT of any material changes affecting a pending TCR Account Holder application using the appropriate form posted on the ERCOT MIS. All application forms and fees must be submitted at least fifteen days (15) prior to the Participant's proposed date of participation in the TCR auction process.

16.8.1.3.1 Notice of Receipt of TCR Account Holder Application

Within five (5) Business Days after receiving each TCR Account Holder application and TCR Account Holder credit application, ERCOT shall send the TCR Account Holder applicant a written confirmation that ERCOT has received the TCR Account Holder application and TCR Account Holder credit application. ERCOT shall return without review any TCR Account Holder application that does not include the proper application fee. The remainder of this subsection shall not apply to any TCR Account Holder application returned for failure to include the proper application fee.

16.8.1.3.2 Sufficiency of Information Provided by TCR Account Holder Applicant

Within five (5) days after receipt of a TCR Account Holder application and TCR Account Holder credit application, ERCOT shall notify the TCR Account Holder applicant in writing if the TCR Account Holder application is incomplete. Within five (5) days after receipt of a TCR Account Holder application, if ERCOT does not notify an applicant that the application is incomplete, the application shall be deemed complete as of the date of receipt by ERCOT.

If ERCOT determines that a TCR Account Holder application and TCR Account Holder credit application is not complete, ERCOT's notification shall explain the deficiencies and stipulate the additional information necessary to make the TCR Account Holder application complete. The TCR Account Holder applicant shall then have five (5) Business Days from the receipt of ERCOT's notification, or such longer period as ERCOT may allow, to provide the additional required information. If the TCR Account Holder applicant responds to the ERCOT notification within the allotted time, then the TCR Account Holder application shall be deemed complete on the date that ERCOT receives the complete additional information from the applicant.

If the TCR Account Holder applicant does not respond to ERCOT's notification within the time allotted, ERCOT will reject the application and will notify the applicant according to the procedures below.

16.8.1.3.3 ERCOT Acceptance or Rejection of TCR Account Holder Application

ERCOT shall approve or reject each TCR Account Holder application and TCR Account Holder credit application not more than ten (10) days after the TCR Account Holder application and TCR Account Holder credit application has been deemed complete in accordance with this subsection.

If ERCOT approves a TCR Account Holder application, it shall send an approval letter to the TCR Account Holder applicant, along with a TCR Account Holder Agreement and any other required agreements relating to use of the ERCOT network, software and systems for the TCR Account Holder applicant's signature.

If ERCOT rejects a TCR Account Holder application, ERCOT shall send the TCR Account Holder applicant a rejection letter explaining the grounds upon which ERCOT has rejected the TCR Account Holder application. Appropriate grounds for rejecting a TCR Account Holder application include:

- (1) Required information not provided to ERCOT in the allotted time;
- (2) Non-compliance with technical requirements; and/or
- (3) Non-compliance with other specific eligibility requirements set forth in this Section or in any other part of these Protocols.

Not later than ten (10) Business Days after receipt of a rejection letter, the TCR Account Holder applicant may challenge the rejection of its TCR Account Holder application utilizing the dispute

resolution procedures set forth in Section 20, Alternative Dispute Resolution Procedures. Regardless of whether or not the TCR Account Holder applicant challenges the rejection, the applicant may submit a new TCR Account Holder application and fee, if applicable. ERCOT shall process the new TCR Account Holder application in accordance with this subsection.

16.8.1.4 Remaining Steps for TCR Account Holder Qualification

After approval by ERCOT of an applicant's application and Credit Application, an applicant must coordinate or perform the following:

- (1) Return the executed TCR Account Holder Agreement and other related agreements to ERCOT;
- (2) Coordinate with ERCOT and other Entities as necessary, to test all communications necessary to participate in the ERCOT TCR market; and
- (3) Complete compliance with security requirements.

16.8.1.4.1 TCR Account Holder Proof of Credit

In accordance with the application procedures set forth in Section 16.8.1.3, each TCR Account Holder must submit proof of credit for its estimated and actual TCR Account Holder auction liability amount.

16.8.1.5 TCR Account Holder Financial Security

16.8.1.5.1 ERCOT Creditworthiness Requirements for TCR Account Holders

TCR Account Holders must meet ERCOT's creditworthiness requirements and maintain any minimum security amount required, as provided herein and demonstrated in a form acceptable to ERCOT. If a TCR Account Holder's creditworthiness rating falls below the level established by the ERCOT Board described below, ERCOT will suspend the TCR Account Holder's TCR bidding activities under these Protocols until the TCR Account Holder submits another form of security in accordance with this Section.

16.8.1.5.2 Requirements for Establishing Creditworthiness Rating

Minimum Long-Term or Issuer Rating, minimum equity level, minimum average times/interest earning ratio (TIER) and debt service coverage (DSC) ratios, and minimum equity ratios to establish creditworthiness have been adopted by the ERCOT Board of Directors.

A TCR Account Holder may meet ERCOT's credit requirements, and shall not initially be required to post security, if the TCR Account Holder meets one of the following requirements:

- (a) Has an Entity Long-Term or Issuer Rating and equity level that meets or exceeds the Minimum Long-Term or Issuer Rating adopted by the Board;
- (b) Is an Electric Cooperative, and (i) is a Rural Utilities Service ("RUS") power supply borrower, and (ii) achieves the average TIER and DSC coverage ratios approved by the ERCOT Board, as such terms are defined in the Code of Federal Regulations Chapter XVII, (iii) achieves the average Equity to Assets ratio as approved by the ERCOT Board, and (iv) maintains an equity level approved by the ERCOT Board;
- (c) Is a privately held company without a Long Term or Issuer Rating, and (i) has equity in the amount equal to or greater than the minimum equity level approved by the ERCOT Board for a TCR Account Holder under this subsection, which amount may be adjusted by the Board from time to time in its discretion; (ii) achieves the minimum current, Debt to Capitalization, and EBITDA to Interest & CMLTD ratios as approved by the ERCOT Board and, (iii) provides its most recent audited and/or unaudited financial statements and other information as requested by ERCOT on a basis approved by the ERCOT Board (such as annually, quarterly, or monthly).
- (d) The unsecured credit limit issued to any entity shall not exceed One Hundred Twenty-Five Million Dollars.

16.8.1.5.3 *Alternative Means of Satisfying ERCOT Creditworthiness Requirements*

If a TCR Account Holder does not meet the creditworthiness qualifications above, the TCR Account Holder may satisfy ERCOT's creditworthiness requirements through one of the following means:

- (a) Another Entity that meets or exceeds the Long-Term or Issuer Rating and equity level, as established by the ERCOT Board, may provide a corporate guarantee of the TCR Account Holder's liability to ERCOT, provided that the corporate guarantee issuer shall provide annual audited financial statements not later than thirty-days (30) after the close of each of the issuer's fiscal year.
- (b) The TCR Account Holder may provide an irrevocable letter of credit naming ERCOT beneficiary in an amount equal to or greater than the TCR Account Holder's maximum liability amount. ERCOT may reject the letter of credit if the issuing bank is unacceptable to ERCOT or if the conditions under which ERCOT can draw against the letter of credit are unacceptable to ERCOT.
- (c) The TCR Account Holder may deposit cash in an account designated by ERCOT with the understanding that ERCOT may draw part or all of the cash deposit to satisfy any overdue payments owed by the TCR Account Holder to ERCOT. The account may bear interest payable directly to the TCR Account Holder, provided, however, any such arrangements shall not restrict ERCOT's immediate access to the funds. The cash

deposit shall always be an amount equal to or greater than the TCR Account Holder's estimated and actual liability amount. Each TCR Account Holder agrees that ERCOT has a security interest in all property delivered by the TCR Account Holder to ERCOT from time to time in order to meet the creditworthiness requirements and that such property secures all amounts owed by the TCR Account Holder to ERCOT.

16.8.1.6 Monitoring of Creditworthiness by ERCOT

ERCOT shall monitor the creditworthiness of each TCR Account Holder. With respect to a TCR Account Holder that meets ERCOT creditworthiness requirements pursuant to 16.8.1.5.1, ERCOT Creditworthiness Requirements for TCR Account Holders, such TCR Account Holder shall inform ERCOT within three (3) Business Days if it experiences a material change in its ability to satisfy those credit requirements. Such TCR Account Holder must provide alternative means of security in accordance with subsection 16.8.1.5.3, Alternative Means of Satisfying ERCOT Creditworthiness Requirements. If the TCR Account Holder fails to promptly satisfy ERCOT creditworthiness requirements, then ERCOT shall suspend the TCR Account Holder's right to bid in any future TCR auction until ERCOT's creditworthiness requirements are met.

With respect to TCR Account Holders meeting creditworthiness requirements using an alternative means provided in subsection 16.8.1.5.3, Alternative Means of Satisfying ERCOT Creditworthiness Requirements, each TCR Account Holder is responsible, at all times, for maintaining security in an amount at or above its estimated and actual TCR Account Holder auction liability amount. ERCOT shall reject any bids submitted that violate ERCOT-approved credit limits.

16.8.1.7 Late Payments by Account Holders

Provisions applicable to TCR Account Holder Late Payment(s) are set forth in Section 16.2.9.2, ERCOT Remedies for Late Payments, above.

16.8.1.7.1 First Three (3) Late Payments in Any Rolling 12-Month Period

For the first three (3) Late Payments, ERCOT shall review the circumstances and reason for the Late Payments, and shall send a Late Payment notification to a Senior Representative of the TCR Account Holder.

Additionally, the third Late Payment notice will advise the Senior Representative(s) that a subsequent Late Payment in the rolling 12-month period will result in termination of the TCR Account Holder's Agreement.

16.8.1.7.2 Fourth Late Payment in Any Rolling 12-month Period

After the fourth Late Payment ERCOT shall terminate the TCR Account Holder Agreement with ERCOT, as provided in the TCR Account Holder Agreement.

16.8.1.8 Defaulting TCR Account Holder

Provisions applicable to a TCR Account Holder Default are set forth in Section 16.2.9.1, ERCOT Remedies, above.

16.8.1.9 TCR Late Payments Revenues

A TCR Account Holder shall pay late fees on any delinquent amount to ERCOT according to the late fee terms for the period from and including the relevant payment date to the final date in which the payment is due to ERCOT together with any related transaction costs incurred by ERCOT.

Any Late Payment revenues, less ERCOT's transaction costs shall be added to the annual or monthly auction revenues and distributed in accordance with Section 7.5.4, Allocation Method and Timing for Distributing TCR Auction Revenues.

16.8.1.10 Release of Account Holder's Security Requirement

ERCOT shall, following the termination of a TCR Account Holder Agreement and within thirty-days (30) of being satisfied that no sums remain owing by the TCR Account Holder under these Protocols, return or release to the TCR Account Holder, as appropriate, any security provided by the TCR Account Holder under this Section. Neither the TCR Account Holder nor any of its Affiliates will be allowed to participate in future TCR auctions or ERCOT recognized TCR transfers.

ERCOT will release a TCR Account Holder's security within five (5) Bank Business Days after written notice requesting release is received by ERCOT. However, the TCR Account Holder will not be allowed to participate in the following auctions, unless security is re-posted no less than five (5) Bank Business Days prior to open of any such auction.

16.9 Resources Providing Reliability Must Run Service or Synchronous Condenser Service

Any Entity providing Reliability Must Run Service or Synchronous Condenser Service must sign an RMR/SC Agreement. If such Entity has not already signed a Standard Form Market Participant Agreement, the Entity shall also sign a Standard Form Market Participant Agreement prior to commencing the service of any RMR/SC under these Protocols.

16.10 Resources Providing Black Start Service

Any Entity providing Black Start Service must sign a Black Start Service Agreement. If such Entity has not already signed a Standard Form Market Participant Agreement, the Entity shall also sign a Standard Form Market Participant Agreement prior to commencing the Black Start Service under these Protocols.

16.11 User Security Administrator and Digital Certificates

Each Market Participant is allowed access to ERCOT's computer systems through the use of Digital Certificates. A Digital Certificate is an electronic file installed on a programmatic interface or an individual's assigned computer used to authenticate that the interface or individual is authorized for secure electronic messaging with ERCOT's computer systems. Digital Certificates expire after a period of one (1) year. A User Security Administrator (USA) is responsible for managing the Market Participant's access to ERCOT's computer systems through Digital Certificates. Each Market Participant must, as part of the application for registration with ERCOT, designate an individual employee or authorized agent as its USA and, optionally, a secondary USA. If a Market Participant has designated a secondary USA, the secondary USA shall function in the same manner as the primary USA. The Market Participant is responsible for revising its USA list as the need arises. The Market Participant's USA is also responsible for registering all of the Market Participant's Digital Certificate holders ("Certificate Holders") and administering the use of Digital Certificates on behalf of the Market Participant. Each Market Participant with more than one ERCOT functional registration must designate a USA for each registration (which may be the same employee or authorized agent) and shall manage each registration separately for the purposes of this Section. Once the Market Participant completes registration requirements, ERCOT will send the USA a copy of "Digital Certificate Introduction and Use for Market Participants." This document is a guide for the USA containing Digital Certificate procedures.

16.11.1 USA Responsibilities and Qualifications for Digital Certificate Holders

The USA, on behalf of the Market Participant, is responsible for the following:

- (1) Requesting Digital Certificates for authorized potential Certificate Holders (either persons or programmatic interfaces) the USA has qualified through an appropriate screening process requiring confirmation that the Certificate Holder is an employee or authorized agent (including third parties) of the Market Participant. A Certificate Holder (including the USA) must be qualified as set forth below. The Market Participant shall be liable for ensuring that each of its Certificate Holder(s) meets the requirements of (a) – (e), below.
 - (a) For any employee or authorized agent receiving a Digital Certificate, the Market Participant shall confirm that the employee or authorized agent satisfies reasonable background review sufficient for employment or contract with the Market Participant so as to reasonably limit threat(s) to ERCOT's market or computer systems. The Market Participant will not request that Digital Certificates be issued to any employee or authorized agent it determines, after reasonable background review, poses a threat to ERCOT's market or computer systems. If the Market Participant does not utilize a background review process at the time this Section first becomes applicable to the Market Participant (*i.e.*, upon registration with ERCOT for new Market Participants), the Market Participant shall institute a process to require reasonable background reviews for the potential

Certificate Holders no later than six (6) months after this Section first applies to the Market Participant.

- (b) The potential Certificate Holder is aware of the rules and restrictions relating to the use of Digital Certificates.
 - (c) The potential Certificate Holder is eligible to review and receive technology and software under applicable export control laws and regulations and under the Foreign Corrupt Practices Act. Information for web-listings shall be located on the MIS. If the Market Participant does not utilize an export control and Foreign Corrupt Practices Act review process at the time this Section first applies to the Market Participant, the Market Participant shall institute a process to require such reviews for potential Certificate Holders no later than six (6) months after this Section first applies to the Market Participant.
 - (d) The Market Participant has conducted a reasonable review of the potential Certificate Holder and is not aware that the potential Certificate Holder is one of the persons on any U.S. terrorist watch list, the link to which is located on the MIS. If the Market Participant does not utilize a terrorist watch list review process at the time this Section first applies to the Market Participant, the Market Participant shall institute a process to require such reviews for potential Certificate Holders no later than six (6) months after this Section first applies to the Market Participant.
 - (e) The Certificate Holder does not violate the conditions of use specified by the software vendor that provides the Digital Certificates for the Market Participant's use and provided to the Certificate Holder.
- (2) Requesting revocation of Digital Certificates under any of the following conditions:
- (a) As soon as possible, but no later than three (3) Business Days, after:
 - (i) a Certificate Holder ceases employment with the Market Participant; or
 - (ii) the Market Participant becomes aware that a Certificate Holder is changing job functions (pursuant to a reasonable process for identifying when job function changes occur) such that the Certificate Holder no longer needs the Digital Certificate,the Market Participant or USA shall request the revocation by proceeding with the ERCOT certificate revocation process.
 - (b) As soon as possible, but no later than five (5) Business Days, after the Market Participant becomes aware (pursuant to a reasonable process for identifying violations) that the Certificate Holder has violated any of the

conditions of use of a Digital Certificate, the Market Participant or USA shall request the revocation by proceeding with the ERCOT certificate revocation process. Violations of conditions of use include:

- (i) violating the requirements of 16.11.1(1) above;
 - (ii) using the Digital Certificate for any unauthorized purpose; or
 - (iii) allowing any person other than the Certificate Holder to use the Digital Certificate.
- (3) Managing the level of access for each Certificate Holder by assigning and maintaining Digital Certificate roles for each authorized user in accordance with the process set forth in “Digital Certificate Introduction and Use for Market Participants.”
 - (4) Requesting annual renewal of Digital Certificates.
 - (5) If needed, issuing Digital Certificates for use by electronic systems not limited to servers.
 - (6) Maintaining the integrity of the administration of Digital Certificates through consistent, sound and reasonable business practices.

16.11.2 Requirements for Use of Digital Certificates

Use of Digital Certificates must comply with the following:

- (1) A Digital Certificate shall be used by only one individual and may not be shared. If multiple employees or authorized agents share a computer and each requires a Digital Certificate, the USA shall request separate Digital Certificates for each. Multiple Digital Certificates may be installed and managed on a single computer. ERCOT shall include instructions on how to manage multiple Digital Certificates in “Digital Certificate Introduction and Use for Market Participants.”
- (2) Electronic equipment on which the Digital Certificate resides must be physically and electronically secured in a reasonable manner to prevent improper use of the Digital Certificate.
- (3) The Market Participant is wholly responsible for any use of Digital Certificates issued or requested by its USA.

16.11.3 Market Participant Audits of User Security Administrators and Digital Certificates

During September of each year, each Market Participant shall generate a list of its registered USA and Certificate Holders. The Market Participant, through its USA or another authorized third party, shall perform an audit by reviewing the list and noting any inconsistencies or

instances of non-compliance (including, for example, any Certificate Holder that may have changed job functions and no longer requires the Digital Certificate). If the Market Participant or its USA or the authorized third party identifies discrepancies, the USA shall use the process for managing Digital Certificates as included in “Digital Certificate Introduction and Use for Market Participants” to rectify the discrepancy. The audit must, at a minimum confirm that:

- (1) The Market Participant and each listed USA and Certificate Holder meet the applicable requirements of Section 16.11.1(1) and (2);
- (2) Each listed USA and Certificate Holder is currently employed by or is an authorized agent contracted with the Market Participant;
- (3) The Market Participant has verified that the listed USA is authorized to be the USA;
- (4) Each Certificate Holder is authorized to retain and use the Digital Certificate; and
- (5) Each listed Certificate Holder needs the Digital Certificate to perform his or her job functions.

By October 1 of each year, Market Participants shall submit to ERCOT an attestation from an officer or executive with authority to bind the Market Participant, certifying that:

- (1) The Market Participant has complied with the requirements of the audit;
- (2) The Market Participant has verified that all assigned Digital Certificates belong to Certificate Holders authorized by the Market Participant’s USA. If the Certificate Holders no longer meet the criteria in Section 16.11.1(1), the USA will inform ERCOT as described in Section 16.11.1(2) and note the findings in the response; and
- (3) The USA and all Certificate Holders have been qualified through a reasonable screening process.

If a Market Participant cannot comply with the October 1 deadline at the time this Section first applies to the Market Participant, the Market Participant shall request an extension of the deadline by providing ERCOT a written explanation of why it cannot meet the deadline. The explanation must include a plan and timeline for compliance not to exceed six months from the original deadline. ERCOT shall review such extension request and inform the Market Participant if the request is approved or denied. ERCOT will approve no more than one extension request per Market Participant.

By December 1 of each year, ERCOT will acknowledge receipt of each Market Participant audit received and indicate whether any required information is missing from the audit.

16.11.4 *ERCOT Audit - Consequences of Non-compliance*

ERCOT, or its designee, will review the audit results submitted under Section 16.11.3, Market Participant Audits of User Security Administrators and Digital Certificates, and may audit a Market Participant for compliance with the provisions of this subsection. The Market Participant will cooperate fully with ERCOT in such audits. On or about December 15 of each year, ERCOT shall report to the PUCT all Market Participants failing to properly perform annual audits as described in Section 16.11.3 or non-compliance with Section 16.11.3. ERCOT, after providing Notice to the Market Participant and the PUCT, may disqualify the Market Participant's USA and/or revoke any or all Digital Certificates assigned by that USA if:

- (1) The Market Participant does not properly and timely perform the audit;
- (2) ERCOT discovers non-compliance; or
- (3) The Market Participant does not timely request revocation of Digital Certificates for unauthorized Certificate Holders.

Notwithstanding the foregoing, ERCOT shall not disqualify a Market Participant's USA or revoke a Market Participant's Digital Certificate(s) without providing the Market Participant the following options:

- (1) Opportunity to work with ERCOT to resolve issues in a manner agreeable to both parties;
- (2) Opportunity to authorize a new USA and assign new Digital Certificates as necessary to prevent disruption of the Market Participant's business; and/or
- (3) If the Market Participant will not or cannot designate a new USA or the violation is so egregious that ERCOT determines it is inappropriate to issue new Digital Certificates, the opportunity to appeal ERCOT's decision to disqualify the Market Participant's USA and revoke its Digital Certificates to the PUCT.

16.12 Termination of Access Privileges to Restricted Computer Systems and Control Systems

- (1) All Market Participants and ERCOT are required to have processes in place to terminate access privileges, as soon as practicable, to Restricted Systems for any employee, consultant, or contractor, upon termination of employment or where access is no longer required.
- (2) "Restricted Systems" include computer or control systems that are essential to the operation of Restricted Facilities.
- (3) "Restricted Facilities" include Facilities and assets that support the reliable operation of the bulk ERCOT System (one hundred (100) kV and above), such as but not limited to:
 - (a) Generation Resources;

- (b) Transmission substations;
 - (c) Control/dispatch centers and backup control/dispatch centers related to items (a) and (b) above;
 - (d) Systems and Facilities critical to system restoration (including but not limited to Black Start generators and substations); and
 - (e) Systems and Facilities critical to automatic firm load shedding.
- (4) Access privilege is defined to include computer and electronic access.
 - (5) Each Market Participant and ERCOT shall have internal controls in place to ensure these processes are reviewed at least on an annual basis.
 - (6) Each Market Participant and ERCOT are required to notify the compliance monitoring authority within two (2) Business Days after the discovery of any incident where a terminated employee, contractor or employee of a contractor has accessed a Restricted System when access privileges have been or should have been revoked.
 - (7) Failure by a Market Participant or ERCOT to follow its processes that results in access to any Restricted Systems by any employee, consultant, contractor or affiliate after his or her termination will be considered a violation of these Protocols.