

March 1, 2021

The Honorable José Menéndez
State Senator, District 26
P.O. Box 12068
Austin, TX 78711
Dallas, TX 75254

Re: Letter dated February 24, 2021

Dear Senator Menéndez:

Thank you for your letter dated February 24, 2021. I am responding on behalf of Bill Magness, President and Chief Executive Officer of Electric Reliability Council of Texas, Inc. (ERCOT). ERCOT recognizes that the events of February 15-19, 2021, have had significant financial impacts on many Market Participants. ERCOT continues to work diligently with Market Participants to mitigate such impacts, to the extent possible within ERCOT's authority under the ERCOT Protocols and the discretion granted in orders by the Public Utility Commission of Texas (PUC).

With respect to your request to suspend ERCOT market activity pursuant to ERCOT Protocol Section 25, Market Suspension and Restart, ERCOT does not interpret that Section to permit ERCOT to only suspend the payment obligations of Market Participants. ERCOT Protocol Section 25, when read in its entirety, contemplates suspension and restart of the ERCOT market in cases where an event occurs that interrupts the functioning of ERCOT's Day-Ahead (DAM) and/or Real-Time Market (RTM). For example, this could occur as a result of a "Black Start" event or a cyberattack. In this case, however, the DAM and RTM operated throughout the duration of the extreme winter weather event and continue to do so today, and Invoicing to Market Participants has been effectuated in accordance with ERCOT Protocols and PUC order in Project No. 51812, Issues Related to the State of Disaster for the February 2021 Winter Weather Event.

Please understand that any unilateral action ERCOT would take at this time to suspend Market Participant payment obligations under ERCOT Protocol Section 25 would also prevent ERCOT from making payments to Market Participants. While a wholesale suspension of ERCOT's collateral and payment obligations may be viewed as beneficial to certain Market Participants currently facing payment obligations, such a suspension could be harmful to Market Participants that are entitled to receive payments through the ERCOT market—i.e., entities that have downstream financial obligations that cannot be satisfied absent prompt payment by ERCOT. In light of these competing interests, a policy decision to suspend the ERCOT market when it is operating as intended is outside ERCOT's scope of authority as the independent organization certified under Texas Utilities Code § 39.151.

Notwithstanding the foregoing, ERCOT stands ready to effectuate any order of the PUC, the Governor of Texas, or other controlling authority with respect to the continued operation of the ERCOT market. ERCOT understands that a number of entities have requested urgent relief from the PUC related to this matter. Because ERCOT operates under the complete authority of the PUC, ERCOT must, and will, comply with any PUC order. ERCOT will continue to work cooperatively with the PUC, the Texas Legislature, other governmental authorities, and ERCOT stakeholders to ensure the continued operation of the ERCOT market, so as to best serve the people of Texas.

Please feel free to contact me if you have any questions or wish to discuss this matter further.

Sincerely,

/s/ Kenan Ögelman

Kenan Ögelman
Vice President, Commercial Operations

Cc: Governor Greg Abbott, Office of the Governor
The Honorable Dan Patrick, Office of the Lieutenant Governor
The Honorable Dade Phelan, Speaker of the Texas House of Representatives
Bill Magness, ERCOT President and Chief Executive Officer