

April 6, 2021

Paul J. Patano, Jr.
Willkie Farr & Gallagher LLP
1875 K Street, N.W.
Washington, DC 20006-1238

VIA EMAIL

Re: Letter dated March 19, 2021

Dear Mr. Patano:

Your letter dated March 19, 2021, which was subsequently revised on March 26, 2021, requested that Electric Reliability Council of Texas, Inc. (ERCOT) provide Citigroup Energy, Inc. (Citigroup) with certain information regarding short payments and uplift charges.¹ I am providing the following information responsive to your request.

With respect to the requests identified below, Citigroup asked that ERCOT provide it with responses as related to “each defaulting Market Participant” listed in a Market Notice published by ERCOT on March 17, 2021 ([Market Notice M-B031721-01, Payments by Short-Paying Invoice Recipients and Estimated Cumulative Aggregate Short Pay Amount](#)). Market Notice M-B031721-01 identified by Counter-Party as having short paid Settlement Invoices as of the date of the Market Notice:

- Brazos Electric Power Co Op Inc. (Brazos);
- Bulb US LLC (Bulb);
- Eagles View Partners LTD (Eagles View);
- Energy Monger LLC (Energy Monger);
- Entrust Energy Inc. (Entrust);
- GBPower LLC (GBPower);
- Griddy Energy LLC (Griddy);
- GridPlus Texas Inc. (GridPlus);
- Hanwha Energy USA Holdings Corp dba 174 Power Global (Hanwha);
- Iluminar Energy LLC (Iluminar);
- MQE LLC (MQE); Power of Texas Holdings Inc. (Power Texas);
- Rayburn Country Electric Cooperative Inc. (Rayburn); and
- Volt Electricity Provider LP (Volt).

Please be advised that Market Notice M-B031721-01 was a snapshot of estimated cumulative aggregate short pay amounts at the time the Market Notice was issued. Several similar Market Notices were issued prior to and following Market Notice M-B031721-01.² Moreover, as shown in the table below, ERCOT has issued numerous additional Market Notices concerning short pay issues resulting from the February 2021 extreme winter weather event, and will continue to do so to provide all Market Participants with updated information.

¹ See Attachment A: Citigroup Letter to ERCOT (Mar. 19, 2021) and Attachment B: Citigroup Letter to ERCOT (Mar. 26, 2021). Citigroup’s March 19, 2021, letter to ERCOT copied staff of the Public Utility Commission of Texas (Commission). On March 26, 2021, Citigroup resent its letter to ERCOT, which removed Commission staff from the list of individuals copied; the letter remained dated March 19, 2021, and no other changes appeared to have been made.

² See e.g., [M-B030821-01 Payments by Short-Paying Invoice Recipients & Estimated Aggregate Short Pay Amount](#), [M-B031121-01 Payments by Short-Paying Invoice Recipients & Estimated Cumulative Aggregate Short Pay Amount](#), and [M-A032421-01 Payments by Short-Paying Invoice Recipients and Estimated Cumulative Aggregate Short Pay Amount](#).

Short Pay Market Notices	
02/19/2021	W-A021921-01 Short payment for failure to make Invoice payment by Market Participants
02/23/2021	M-A022321-01 ERCOT Discretion to Resolve Financial Obligations
02/24/2021	M-C022421-01 IDR Meter Settlements
02/24/2021	W-A022421-01 Short payments for failure to make Invoice payments by Market Participants
02/26/2021	W-B022621-01 Short payments for failure to make Invoice payments by Market Participants
03/01/2021	W-B030121-01 Short Payments for Failure to Make Invoice Payments
03/02/2021	W-A030221-01 Short Payments for Failure to Make Invoice Payments
03/02/2021	W-B030121-02 Notification of Miscellaneous Invoices for Adjustments to Short Payments
03/03/2021	W-A030221-02 Short Payments for Failure to Make Invoice Payments
03/03/2021	W-BA030321-01 Short Payments for Failure to Make Invoice Payments
03/04/2021	W-A030421-01 Short Payments for Failure to Make Invoice Payments
03/05/2021	W-C030521-01 Short Payments for Failure to Make Invoice Payments
03/05/2021	W-C030521-02 Correction - Short Payments for Failure to Make Invoice Payments
03/05/2021	W-D030521-01 Short Payments for Failure to Make CRR Auction Revenue Distribution (CARD) Invoice Payments
03/08/2021	M-B030821-01 Payments by Short-Paying Invoice Recipients & Estimated Aggregate Short Pay Amount
03/08/2021	W-A030821-01 Short Payments for Failure to Make Invoice Payments
03/09/2021	W-A030921-01 Short Payments for Failure to Make Invoice Payments
03/09/2021	W-B030121-03 Update: Short Payments & Settlement Invoices with payout dates of February 26, 2021, and March 1, 2021
03/10/2021	W-A031021-01 Short Payments for Failure to Make Invoice Payments
03/10/2021	W-B030121-04 Notification of Miscellaneous Invoices for Refunds of Short Payments
03/11/2021	M-B031121-01 Payments by Short-Paying Invoice Recipients & Estimated Cumulative Aggregate Short Pay Amount
03/11/2021	W-B031121-01 Short Payments for Failure to Make Invoice Payments
03/12/2021	W-A031221-01 Short Payments for Failure to Make Invoice Payments
03/15/2021	W-D031521-01 Short Payments for Failure to Make Invoice Payments
03/16/2021	W-A031621-01 Short Payments for Failure to Make Invoice Payments
03/17/2021	M-B031721-01 Payments by Short-Paying Invoice Recipients and Estimated Cumulative Aggregate Short Pay Amount
03/17/2021	W-B031721-01 Short Payments for Failure to Make Invoice Payments
03/18/2021	W-A031821-01 Allocation of Funds Received from Short Paying Invoice Recipients
03/18/2021	W-C031821-01 Short Payments for Failure to Make Invoice Payments
03/19/2021	W-B031921-01 Short Payments for Failure to Make Invoice Payments
03/19/2021	W-C031921-01 Allocation of Funds Received from Short Paying Invoice Recipients
03/22/2021	W-A032221-01 Short Payments for Failure to Make Invoice Payments
03/23/2021	W-B032321-01 Short Payments for Failure to Make Invoice Payments
03/24/2021	M-A032421-01 Payments by Short-Paying Invoice Recipients and Estimated Cumulative Aggregate Short Pay Amount
03/24/2021	W-B032421-01 Short Payments for Failure to Make Invoice Payments
03/25/2021	W-B032521-01 Short Payments for Failure to Make Invoice Payments
03/26/2021	W-A032621-01 Short Payments for Failure to Make Invoice Payments
03/29/2021	W-B032921-01 Short Payments for Failure to Make Invoice Payments
03/30/2021	M-B033021-01 Implementation of a Payment Plan with Short-Paying Invoice Recipient
03/30/2021	W-B033021-01 Short Payments for Failure to Make Invoice Payments
03/31/2021	W-A030821-02 Allocation of Funds Received from Short Paying Invoice Recipients
03/31/2021	W-B033121-01 Short Payments for Failure to Make Invoice Payments
04/01/2021	W-C031921-02 Allocation of Funds Received from Short Paying Invoice Recipients
04/01/2021	W-B040121-01 Short Payments for Failure to Make Invoice Payments
04/01/2021	M-A040121-01 Payments by Short-Paying Invoice Recipients and Estimated Cumulative Aggregate Short Pay Amount
04/02/2021	W-B040221-01 Short Payments for Failure to Make Invoice Payments
04/02/2021	W-A030921-02 Allocation of Funds Received from Short Paying Invoice Recipients

While Citigroup's requests refer to "defaulting Market Participant," ERCOT's responses herein are limited to the Market Participants identified in Market Notice M-B031721-01, and ERCOT is not, at this time, taking a position as to whether any individual Market Participant referenced herein is a "defaulting Market Participant" unless otherwise noted in ERCOT's responses.

1. Has ERCOT ceased making payments to each defaulting Market Participant (Section 16.11.6.1.1)? If yes, when did it do so with respect to each Market Participant?

ERCOT Protocol Section 16.11.6(3), Payment Breach and Late Payments by Market Participants, states that an event of “Payment Breach” occurs upon “[the] failure of a Market Participant to pay when due any payment or Financial Security obligation owed to ERCOT or its designee, if applicable, under any Agreement with ERCOT... .” If a Market Participant is in Payment Breach, ERCOT Protocol Section 16.11.6.1.1, No Payments by ERCOT to Market Participant, provides that ERCOT is not required to make payments to that Market Participant until it pays the past amount due in full. Further, if ERCOT does not make such payments, it may apply withheld funds toward the Market Participant’s short payment until the Market Participant has paid all amounts due to ERCOT in full.

ERCOT has ceased making payments to all short-paying Market Participants identified in Market Notice M-B031721-01, with the exception of Power Texas. Power Texas became a Virtual QSE on March 3, 2021, when its QSE relationship with Entrust was terminated due to Entrust’s Default under the Standard Form Market Participant Agreement (SFA). Power Texas remained a Virtual QSE with ERCOT until March 9, 2021, when it defaulted under the SFA. As a Virtual QSE, Power Texas was neither owed payments by ERCOT, nor did ERCOT hold Financial Security for Power Texas.³

Market Participants often provide ERCOT with cash collateral, beyond what is otherwise required under the ERCOT Protocols, for payment of Settlement Invoices. Likewise, Market Participants often instruct ERCOT to apply any payments from ERCOT to the Market Participant’s collateral account. When a Market Participant incurs a Late Payment (event of Payment Breach), ERCOT applies excess cash in the Market Participant’s collateral account to its outstanding Settlement Invoices. Furthermore, when a Market Participant is owed a payment, but is in Payment Breach, ERCOT applies the payment funds to the Market Participant’s collateral so it is available for payment of outstanding Settlement Invoices. These processes make it difficult for ERCOT to ascertain specifically when ERCOT stops making payments to a particular Market Participant because for many Market Participants, the process remains unchanged, except that ERCOT collects excess cash to cover short-paid Settlement Invoices. Accordingly, in the below table where marked “C,” ERCOT began applying payments due to the Market Participant to its collateral account, which was then used to pay down the Market Participant’s outstanding Settlement Invoices.

Market Participant	Last Payment by ERCOT to Market Participant
Brazos	02/12/2021
Bulb	C
Eagles View	C
Energy Monger	C
Entrust	C
GBPower	C
Griddy	02/11/2021

Market Participant	Last Payment by ERCOT to Market Participant
GridPlus	C
Hanwha	02/12/2021
Iluminar	02/16/2021 ⁴
MQE	02/10/2021
Rayburn	02/12/2021
Volt	02/26/2021

³ For additional information concerning Virtual QSEs, see ERCOT Protocol Sections 16.2.6.1, Designation as an Emergency Qualified Scheduling Entity or Virtual Qualified Scheduling Entity, and 16.2.6.2, Market Participation by an Emergency Qualified Scheduling Entity or a Virtual Qualified Scheduling Entity.

⁴ On March 5, 2021, ERCOT inadvertently sent Iluminar a payment while Iluminar had past amounts due to ERCOT. ERCOT will work with Iluminar to address this issue.

2. Has ERCOT drawn upon, held or distributed to performing Market Participants any Financial Security or other funds in ERCOT’s possession of each defaulting Market Participant (16.11.6.1.2)? If so, please identify each such defaulting Market Participant and the amounts drawn upon, held or distributed.

ERCOT Protocol Section 16.11.6.1.2, ERCOT May Draw On, Hold or Distribute Funds, provides that if a Market Participant is in Payment Breach, ERCOT may “draw on, hold or distribute to other Market Participants any Financial Security or other funds of the Market Participant in ERCOT’s possession.” ERCOT Protocol Section 9.19(1), Partial Payments by Invoice Recipients, requires ERCOT to draw on any available Financial Security by a short-paying Invoice Recipient, and allows ERCOT to hold up to 5% of such Financial Security to pay subsequent Settlement Invoices; any remaining funds must be applied to unpaid Settlement Invoices in accordance with ERCOT Protocol Section 9.19.1, Default Uplift Process. ERCOT must also provide Market Participants with payment and reimbursement details regarding short pays. ERCOT Protocol Section 1.3.1.1(1)(p) and (z) designate credit limits identifiable to a specific QSE, a QSE’s form of credit support, and non-public financial information provided by a Counter-Party to ERCOT, as Protected Information.

ERCOT has held and distributed funds for each short-paying Market Participant identified in Market Notice M-B031721-01, except Power Texas. While Power Texas was a Virtual QSE, it was not owed payments by ERCOT, and ERCOT did not hold Financial Security for Power Texas.

The table below identifies, as of April 1, 2021, the amount of Financial Security ERCOT has distributed/applied to outstanding Invoices to the Market Participants identified in Market Notice M-B031721-01—i.e., reimbursement details. While Citigroup also requests details concerning Financial Security held by ERCOT for specific Market Participants, ERCOT considers such information to be Protected Information under ERCOT Protocol Section 1.3.1.1.

Market Participant	Amount Distributed/Applied to Outstanding Invoices
Brazos	\$350,179,153.84
Bulb	\$3,863,634.70
Eagles View	\$1,638,271.75
Energy Monger	\$1,218,112.51
Entrust	\$11,937,591.61
GBPower	\$230,736.55
Griddy	\$3,610,706.97
GridPlus	\$977,077.48
Hanwha	\$65,922,764.85
Iluminar	\$17,487,100.90
MQE	\$1,610,062.58
Rayburn	\$156,926,774.82
Volt	\$6,299,437.85

- 3. Has ERCOT declared the entire unpaid net balance owed to ERCOT by each defaulting Market Participant immediately due and payable without further notice and demand for payment (16.11.6.1.3)? If so, please identify the Market Participants for which ERCOT has made such a declaration and, separately, the Market Participants for which ERCOT has the authority to do so, but has not done so.**

ERCOT Protocol Section 16.11.6.1.3, Aggregate Amount Owed by Breaching Market Participant Immediately Due, provides that the entire unpaid balance owed by a Market Participant to ERCOT “is immediately due and payable without further notice and demand for payment. Any such notice and demand for payment are expressly waived by the Market Participant.”

ERCOT is not required to make a demand for payment under ERCOT Protocol Section 16.11.6.1.3; any amounts owed are immediately due by a Market Participant. While ERCOT is in the process of instituting various actions and legal proceedings with respect to the collection of unpaid amounts due by Market Participants, ERCOT has not made a formal “declaration” under ERCOT Protocol Section 16.11.6.1.3.

- 4. Has ERCOT repossessed all CRRs held by each Market Participant with a Payment Breach or other Default (16.11.6.1.4)? If so, please identify the Market Participants for which ERCOT has done so and, separately, the market participants for which ERCOT has the authority to do so, but has not done so.**

ERCOT Protocol Section 16.11.6.1.4, Repossession of CRRs by ERCOT, gives ERCOT the authority to repossess CRRs held by a Market Participant due to Payment Breach or default.

Entrust held CRRs prior to its Default. Upon termination of Entrust’s SFA, ERCOT repossessed Entrust’s CRRs, which were sold to the highest bidder in a one-time auction. Brazos, Rayburn and Hanwha currently hold CRRs with ERCOT. At this time, ERCOT has not taken action to repossess CRRs from these Market Participants, but is considering all available options.

- 5. Has ERCOT revoked each breaching Market Participant’s rights to conduct activities under ERCOT’s Protocols and terminated the breaching Market Participant’s agreements with ERCOT (16.11.6.1.6)? If so, please identify the Market Participants for which ERCOT has done so and, separately, the market participants for which ERCOT has the authority to do so, but has not done so.**

ERCOT Protocol Section 16.11.6.1.6(1), Revocation of a Market Participant’s Rights and Termination of Agreements, provides that ERCOT may revoke a Market Participant’s rights to conduct activities in the ERCOT market, and terminate the Market Participant’s agreements with ERCOT.

ERCOT has revoked participation rights and terminated SFAs with the following Market Participants identified in Market Notice M-B031721-01: Eagles View; Energy Monger; Entrust; GBPower; Power Texas; and Volt. At this time, ERCOT has not terminated SFAs of the other Market Participants identified in Market Notice M-B031721-01, but has taken steps to limit participation under the ERCOT Protocols by some of these Market Participants.

6. Has ERCOT instituted legal proceedings to recover the net balance owed to ERCOT by each defaulting Market Participant? If yes, please identify each such proceeding.

ERCOT has instituted various actions and legal proceedings to recover funds owed by the Market Participants listed in Market Notice M-B031721-01. ERCOT is currently participating in bankruptcy proceedings involving Brazos, Griddy, and Entrust. ERCOT has also intervened in Retail Electric Provider (REP) revocation proceedings at the Public Utility Commission of Texas (Commission) involving Entrust, GBPower, Griddy, Power Texas, and Volt. ERCOT will continue to intervene and participate in PUC actions to collect on letters of credit maintained by the PUC. ERCOT is further initiating independent legal actions to collect monies owed for all Market Participants that have left the ERCOT market with outstanding debts. However, to preserve the litigation strategy of anticipated actions, ERCOT will not disclose such actions at this time.

ERCOT Protocol Section 9.19(1), Partial Payments by Invoice Recipients, provides that ERCOT can enter into a payment plan with a short-paying Market Participant. ERCOT has entered into a payment plan with Bulb, which is available on the Market Information System (MIS) Secure Area and on the [February 2021 Extreme Weather Event](#) landing page of the ERCOT website. ERCOT is currently negotiating terms and conditions of potential payment plans with other short-paying Market Participants. ERCOT will continue to issue Market Notices and post executed payment plan agreements on the MIS Secure Area and ERCOT website.

7. Please also advise us how ERCOT plans to determine the amount and time for payment of Default Uplift Invoices.

ERCOT is currently undertaking a review of the rules surrounding default uplift, and the process by which Default Uplift Invoices will be calculated and issued. In the near future, ERCOT will be filing detailed information concerning this process with the Commission in Project No. 51878, Reports of the Electric Reliability Council of Texas for Calendar Year 2021. ERCOT will also be discussing the process and related issues in upcoming stakeholder forums.

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

WILLKIE FARR & GALLAGHER LLP

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202 303 1211
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Washington, DC 20006-1238
Tel: 202 303 1000
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March 19, 2021

Via email

Bill Magness
President and Chief Executive Officer
Electric Reliability Council of Texas Inc.
7620 Metro Center Drive
Austin, Texas 78744

Re: Short Payments and Uplift Charges

Dear Mr. Magness:

We write on behalf of our client, Citigroup Energy Inc., to request that the Electric Reliability Council of Texas, Inc. (“ERCOT”) provide us immediately with the information listed in the numbered requests below related to the February 2021 Texas winter weather event. The Public Utility Commission of Texas (the “PUC”) has emphasized that complete and accurate information about this event must be publicly available. *Order Requiring ERCOT to Disclose Certain Generator Outage Information*, Project No. 51812, Public Utility Commission of Texas (March 12, 2021). For example, the PUC ordered that generator outage information be made public because the information is “critical to facilitating a public dialogue.” *Id.* As the PUC correctly recognized, “a complete picture can only be developed if all relevant information is included in the analysis of this event.” *Id.* The same is true with respect to ERCOT’s efforts to recover the amounts owed to it by defaulting market participants. All market participants that have been short paid by ERCOT and that may receive default uplift charges have the right to know what ERCOT is doing to recover the money that it is owed—Payment Breaches that, if not collected, ERCOT ultimately may seek to pass through to non-defaulting market participants like our client.

As you know, pursuant to Section 16.11.6(1) of the ERCOT Nodal Protocols, “[i]t is the sole responsibility of each Market Participant to ensure that the full amounts due to ERCOT . . . by that Market Participant, are paid to ERCOT by the applicable time and date specified in the Protocols.” Under Section 16.11.6(3), “[t]he failure of a Market Participant to pay when due any payment or Financial Security obligation owed to ERCOT . . . under any Agreement with ERCOT, is a Late Payment and constitutes an event of ‘Payment Breach.’” If not cured within one Business Day of written notice, a Payment Breach constitutes “a Default under all other agreements between ERCOT and the Market Participant.” *Id.* ERCOT has reported that, as of March 17, 2021, the Market Participants listed on **Appendix A** hereto have defaulted on their payment obligations to ERCOT and, consequently, to all performing Market Participants. As a

direct result of these Payment Breaches, ERCOT thus far has short paid performing Market Participants in the amount of approximately \$2.9+ billion.

Section 16.11.6.1(1) sets forth the remedies available to ERCOT “[i]n addition to all other remedies that ERCOT has under any agreement, common law or the[] Protocols.” On February 21, 2021, and in order “to protect the overall integrity of the financial electric market in the ERCOT region,” the PUCT issued an Order that authorized ERCOT “to use its sole discretion in taking actions under the ERCOT Nodal Protocols to resolve financial obligations between a market participant and ERCOT.” *Order Directing ERCOT to Take Action and Granting Exception to ERCOT Protocols*, Project No. 51812, Public Utility Commission of Texas (Feb. 21, 2021) (the “February 21 Order”). The February 21 Order expressly did “not relieve market participants of [their] payment or financial security obligations [to] ERCOT” and emphasized that they “remain liable for all charges associated with any activity related to its relationship with ERCOT and any expenses arising from the consequences of termination of [their] agreements with ERCOT or revocation of [their] rights to conduct activities with ERCOT.” *Id.* The February 21 Order requires ERCOT to “report to the [PUCT] twice each day, beginning February 22, 2021, of the actions it has taken in response to this Order” but as far as we have been able to determine, ERCOT’s reports have not been made public.

We request that ERCOT immediately provide us with the following information about the remedies that ERCOT is pursuing against each defaulting Market Participant listed on Appendix A:

1. Has ERCOT ceased making payments to each defaulting Market Participant (Section 16.11.6.1.1)? If yes, when did it do so with respect to each Market Participant?
2. Has ERCOT drawn upon, held or distributed to performing Market Participants any Financial Security or other funds in ERCOT’s possession of each defaulting Market Participant (16.11.6.1.2)? If so, please identify each such defaulting Market Participant and the amounts drawn upon, held or distributed.
3. Has ERCOT declared the entire unpaid net balance owed to ERCOT by each defaulting Market Participant immediately due and payable without further notice and demand for payment (16.11.6.1.3)? If so, please identify the Market Participants for which ERCOT has made such a declaration and, separately, the Market Participants for which ERCOT has the authority to do so, but has not done so.
4. Has ERCOT repossessed all CRRs held by each Market Participant with a Payment Breach or other Default (16.11.6.1.4)? If so, please identify the Market Participants for which ERCOT has done so and, separately, the market participants for which ERCOT has the authority to do so, but has not done so.
5. Has ERCOT revoked each breaching Market Participant’s rights to conduct activities under ERCOT’s Protocols and terminated the breaching Market

Participant's agreements with ERCOT (16.11.6.1.6)? If so, please identify the Market Participants for which ERCOT has done so and, separately, the market participants for which ERCOT has the authority to do so, but has not done so.

6. Has ERCOT instituted legal proceedings to recover the net balance owed to ERCOT by each defaulting Market Participant? If yes, please identify each such proceeding.

Please also advise us how ERCOT plans to determine the amount and time for payment of Default Uplift Invoices.

Please provide a complete response to our questions by the close of business on Wednesday, March 24, 2021. If we do not receive a response by that date, we will take appropriate action to ensure that CEI and other Market Participants receive the information requested herein.

Please contact us if you have any questions about our information requests.

Sincerely yours,



Paul J. Pantano, Jr.

Attachment

cc: Jeyant Tamby, Senior Vice President and Chief Administrative Officer, ERCOT
Betty Day, Vice President, Security & Compliance and Chief Compliance Officer, ERCOT
Chad V. Seeley, Vice President, General Counsel and Corporate Secretary, ERCOT
Connie Corona, Deputy Executive Director, ERCOT
Jeffrey Gollomp, Director and General Counsel, Citigroup Energy Inc.

APPENDIX A

From: [LISTS.ERCOT.COM] Notice_CRR <NOTICE_CRR@LISTS.ERCOT.COM> **On Behalf Of**
[LISTS.ERCOT.COM] ERCOT Client Services
Sent: Wednesday, March 17, 2021 6:03 PM
To: NOTICE_CRR@LISTS.ERCOT.COM
Subject: M-B031721-01 Payments by Short-Paying Invoice Recipients and Estimated Cumulative Aggregate Short Pay Amount

******* EXTERNAL email. Please be cautious and evaluate before you click on links, open attachments, or provide credentials. *******

NOTICE DATE: March 17, 2021

NOTICE TYPE: M-B031721-01 Settlements

SHORT DESCRIPTION: Payments by Short-Paying Invoice Recipients and Estimated Cumulative Aggregate Short Pay Amount

INTENDED AUDIENCE: QSE and CRRAH Settlement Personnel

DAYS AFFECTED: March 17, 2021

LONG DESCRIPTION: The following short-paying Invoice Recipients have, to date, paid amounts owed:

- City of Garland
- Heritage Power LLC
- Wolverine Trading LLC

The current estimated cumulative aggregate short pay amount is \$2,916,869,044.57, which does not include ERCOT's application of \$800 million in CRR Auction revenue funds. This amount reflects payments received for previously short-paid Invoices and the application of available Financial Security to short-paid balances, where available. The following table identifies outstanding short-paying QSEs/CRRAHs by Counter-Party and amount owed:

Counter-Party	\$ Total
BRAZOS ELECTRIC POWER CO OP INC (CP)	1,864,669,390.67
BULB US LLC (CP)	8,622,013.10
EAGLES VIEW PARTNERS LTD (CP)	1,152,199.09
ENERGY MONGER LLC (CP)	8,514,248.45
ENTRUST ENERGY INC (CP)	290,353,388.82
GBPOWER LLC (CP)	19,894,437.63
GRIDDY ENERGY LLC (CP)	29,094,871.79
GRIDPLUS TEXAS INC (CP)	1,225,692.50

Counter-Party	\$ Total
HANWHA ENERGY USA HOLDINGS CORP DBA 174 POWER GLOBAL (CP)	60,700,196.19
ILUMINAR ENERGY LLC (CP)	39,858,137.31
MQE LLC (CP)	13,082,623.20
POWER OF TEXAS HOLDINGS INC VIRTUAL (CP)	9.41
RAYBURN COUNTRY ELECTRIC COOPERATIVE INC (CP)	574,354,847.23
VOLT ELECTRICITY PROVIDER LP (CP)	5,346,989.18
Total	2,916,869,044.57

The following table identifies the outstanding short pay total by Invoice due date:

Invoice Due Date	\$ Total
2/22/2021	11,752,977.49
2/23/2021	16,601,147.27
2/25/2021	1,905,300,310.49
2/26/2021	304,044,799.44
3/1/2021	722,514.09
3/2/2021	26,539.27
3/3/2021	101,729.97
3/4/2021	159,173.02
3/5/2021	23,820,612.09
3/8/2021	351,381,057.84
3/9/2021	243,896,227.14
3/10/2021	53,343,421.05
3/11/2021	18,359.13
3/12/2021	10,238.26
3/15/2021	11,788.81
3/16/2021	5,678,149.21
Total	2,916,869,044.57

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 ClientServices@ercot.com.

If you are receiving email from a public 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>.

WILLKIE FARR & GALLAGHER LLP

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March 19, 2021

Via email

Bill Magness
President and Chief Executive Officer
Electric Reliability Council of Texas Inc.
7620 Metro Center Drive
Austin, Texas 78744

Re: Short Payments and Uplift Charges

Dear Mr. Magness:

We write on behalf of our client, Citigroup Energy Inc., to request that the Electric Reliability Council of Texas, Inc. (“ERCOT”) provide us immediately with the information listed in the numbered requests below related to the February 2021 Texas winter weather event. The Public Utility Commission of Texas (the “PUC”) has emphasized that complete and accurate information about this event must be publicly available. *Order Requiring ERCOT to Disclose Certain Generator Outage Information*, Project No. 51812, Public Utility Commission of Texas (March 12, 2021). For example, the PUC ordered that generator outage information be made public because the information is “critical to facilitating a public dialogue.” *Id.* As the PUC correctly recognized, “a complete picture can only be developed if all relevant information is included in the analysis of this event.” *Id.* The same is true with respect to ERCOT’s efforts to recover the amounts owed to it by defaulting market participants. All market participants that have been short paid by ERCOT and that may receive default uplift charges have the right to know what ERCOT is doing to recover the money that it is owed—Payment Breaches that, if not collected, ERCOT ultimately may seek to pass through to non-defaulting market participants like our client.

As you know, pursuant to Section 16.11.6(1) of the ERCOT Nodal Protocols, “[i]t is the sole responsibility of each Market Participant to ensure that the full amounts due to ERCOT . . . by that Market Participant, are paid to ERCOT by the applicable time and date specified in the Protocols.” Under Section 16.11.6(3), “[t]he failure of a Market Participant to pay when due any payment or Financial Security obligation owed to ERCOT . . . under any Agreement with ERCOT, is a Late Payment and constitutes an event of ‘Payment Breach.’” If not cured within one Business Day of written notice, a Payment Breach constitutes “a Default under all other agreements between ERCOT and the Market Participant.” *Id.* ERCOT has reported that, as of March 17, 2021, the Market Participants listed on **Appendix A** hereto have defaulted on their payment obligations to ERCOT and, consequently, to all performing Market Participants. As a

direct result of these Payment Breaches, ERCOT thus far has short paid performing Market Participants in the amount of approximately \$2.9+ billion.

Section 16.11.6.1(1) sets forth the remedies available to ERCOT “[i]n addition to all other remedies that ERCOT has under any agreement, common law or the[] Protocols.” On February 21, 2021, and in order “to protect the overall integrity of the financial electric market in the ERCOT region,” the PUCT issued an Order that authorized ERCOT “to use its sole discretion in taking actions under the ERCOT Nodal Protocols to resolve financial obligations between a market participant and ERCOT.” *Order Directing ERCOT to Take Action and Granting Exception to ERCOT Protocols*, Project No. 51812, Public Utility Commission of Texas (Feb. 21, 2021) (the “February 21 Order”). The February 21 Order expressly did “not relieve market participants of [their] payment or financial security obligations [to] ERCOT” and emphasized that they “remain liable for all charges associated with any activity related to its relationship with ERCOT and any expenses arising from the consequences of termination of [their] agreements with ERCOT or revocation of [their] rights to conduct activities with ERCOT.” *Id.* The February 21 Order requires ERCOT to “report to the [PUCT] twice each day, beginning February 22, 2021, of the actions it has taken in response to this Order” but as far as we have been able to determine, ERCOT’s reports have not been made public.

We request that ERCOT immediately provide us with the following information about the remedies that ERCOT is pursuing against each defaulting Market Participant listed on Appendix A:

1. Has ERCOT ceased making payments to each defaulting Market Participant (Section 16.11.6.1.1)? If yes, when did it do so with respect to each Market Participant?
2. Has ERCOT drawn upon, held or distributed to performing Market Participants any Financial Security or other funds in ERCOT’s possession of each defaulting Market Participant (16.11.6.1.2)? If so, please identify each such defaulting Market Participant and the amounts drawn upon, held or distributed.
3. Has ERCOT declared the entire unpaid net balance owed to ERCOT by each defaulting Market Participant immediately due and payable without further notice and demand for payment (16.11.6.1.3)? If so, please identify the Market Participants for which ERCOT has made such a declaration and, separately, the Market Participants for which ERCOT has the authority to do so, but has not done so.
4. Has ERCOT repossessed all CRRs held by each Market Participant with a Payment Breach or other Default (16.11.6.1.4)? If so, please identify the Market Participants for which ERCOT has done so and, separately, the market participants for which ERCOT has the authority to do so, but has not done so.
5. Has ERCOT revoked each breaching Market Participant’s rights to conduct activities under ERCOT’s Protocols and terminated the breaching Market

Participant's agreements with ERCOT (16.11.6.1.6)? If so, please identify the Market Participants for which ERCOT has done so and, separately, the market participants for which ERCOT has the authority to do so, but has not done so.

6. Has ERCOT instituted legal proceedings to recover the net balance owed to ERCOT by each defaulting Market Participant? If yes, please identify each such proceeding.

Please also advise us how ERCOT plans to determine the amount and time for payment of Default Uplift Invoices.

Please provide a complete response to our questions by the close of business on Wednesday, March 24, 2021. If we do not receive a response by that date, we will take appropriate action to ensure that CEI and other Market Participants receive the information requested herein.

Please contact us if you have any questions about our information requests.

Sincerely yours,



Paul J. Pantano, Jr.

Attachment

cc: Jeyant Tamby, Senior Vice President and Chief Administrative Officer, ERCOT
Betty Day, Vice President, Security & Compliance and Chief Compliance Officer, ERCOT
Chad V. Seely, Vice President, General Counsel and Corporate Secretary, ERCOT
Jeffrey Gollomp, Director and General Counsel, Citigroup Energy Inc.

APPENDIX A

From: [LISTS.ERCOT.COM] Notice_CRR <NOTICE_CRR@LISTS.ERCOT.COM> **On Behalf Of**
[LISTS.ERCOT.COM] ERCOT Client Services
Sent: Wednesday, March 17, 2021 6:03 PM
To: NOTICE_CRR@LISTS.ERCOT.COM
Subject: M-B031721-01 Payments by Short-Paying Invoice Recipients and Estimated Cumulative Aggregate Short Pay Amount

******* EXTERNAL email. Please be cautious and evaluate before you click on links, open attachments, or provide credentials. *******

NOTICE DATE: March 17, 2021

NOTICE TYPE: M-B031721-01 Settlements

SHORT DESCRIPTION: Payments by Short-Paying Invoice Recipients and Estimated Cumulative Aggregate Short Pay Amount

INTENDED AUDIENCE: QSE and CRRAH Settlement Personnel

DAYS AFFECTED: March 17, 2021

LONG DESCRIPTION: The following short-paying Invoice Recipients have, to date, paid amounts owed:

- City of Garland
- Heritage Power LLC
- Wolverine Trading LLC

The current estimated cumulative aggregate short pay amount is \$2,916,869,044.57, which does not include ERCOT's application of \$800 million in CRR Auction revenue funds. This amount reflects payments received for previously short-paid Invoices and the application of available Financial Security to short-paid balances, where available. The following table identifies outstanding short-paying QSEs/CRRAHs by Counter-Party and amount owed:

Counter-Party	\$ Total
BRAZOS ELECTRIC POWER CO OP INC (CP)	1,864,669,390.67
BULB US LLC (CP)	8,622,013.10
EAGLES VIEW PARTNERS LTD (CP)	1,152,199.09
ENERGY MONGER LLC (CP)	8,514,248.45
ENTRUST ENERGY INC (CP)	290,353,388.82
GBPOWER LLC (CP)	19,894,437.63
GRIDDY ENERGY LLC (CP)	29,094,871.79
GRIDPLUS TEXAS INC (CP)	1,225,692.50

Counter-Party	\$ Total
HANWHA ENERGY USA HOLDINGS CORP DBA 174 POWER GLOBAL (CP)	60,700,196.19
ILUMINAR ENERGY LLC (CP)	39,858,137.31
MQE LLC (CP)	13,082,623.20
POWER OF TEXAS HOLDINGS INC VIRTUAL (CP)	9.41
RAYBURN COUNTRY ELECTRIC COOPERATIVE INC (CP)	574,354,847.23
VOLT ELECTRICITY PROVIDER LP (CP)	5,346,989.18
Total	2,916,869,044.57

The following table identifies the outstanding short pay total by Invoice due date:

Invoice Due Date	\$ Total
2/22/2021	11,752,977.49
2/23/2021	16,601,147.27
2/25/2021	1,905,300,310.49
2/26/2021	304,044,799.44
3/1/2021	722,514.09
3/2/2021	26,539.27
3/3/2021	101,729.97
3/4/2021	159,173.02
3/5/2021	23,820,612.09
3/8/2021	351,381,057.84
3/9/2021	243,896,227.14
3/10/2021	53,343,421.05
3/11/2021	18,359.13
3/12/2021	10,238.26
3/15/2021	11,788.81
3/16/2021	5,678,149.21
Total	2,916,869,044.57

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 ClientServices@ercot.com.

If you are receiving email from a public 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>.