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| NPRR Number | [1103](http://www.ercot.com/mktrules/issues/NPRR1103) | NPRR Title | Securitization – PURA Subchapter M Default Charges |
| Date  | November 5, 2021 |
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| Submitter’s Information |
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| Market Segment | Cooperative |

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| Comments |

LCRA submits these comments in support of ERCOT’s proposed process for payment of PURA Subchapter M Securitization Default Charges, including the use of miscellaneous Invoices and the escrow-deposit requirement. In addition, LCRA recommends three adjustments to the proposed process.

LCRA proposes to extend from two Business Days to five business days due dates for Securitization Default Charge Invoices, similar to the five days allowed in Section 9.19.2.1, Invoice Recipient Payment to ERCOT for Default Uplift, for payment of Default Uplift Invoices.

Similarly, LCRA proposes the same extension of due dates from two to five for deposits following receipt of an ERCOT notice to increase escrow. Section 9.19.2.1 already recognizes five Business Days help ensure processing of non-standard, Default Uplift transactions.

For clarity, LCRA recommends removing the reference to Invoice payments being due on a Business Day and Bank Business Day in a “one-day, one-step” payment process. Section 9.19.2.1 regarding the Default Uplift Payment process, similar to Protocols with payment processes for Congestion Revenue Right (CRR)-related Invoices, establish a “two-day, two-step” process: Payment is 1) due on the fifth Business Day, and 2) due via Electronic Funds Transfer (EFT). These same two steps of due date and electronic transfer appear in ERCOT’s proposed Securitization Default Uplift payment process, plus additional qualifications to 3) not net with other Invoices and 4) be transferred to the appropriate account. Characterization as a “one-day, one-step” process, especially where the standard two steps are increased to four, creates confusion that can be avoided by deleting the reference to a single day and step.

Lastly, a typographical suggestion is noted in the grey-box associated with proposed Section 26.4, Securitization Default Charge Supporting Data Reporting.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

## 2.1 DEFINITIONS

**Securitization Default Balance**

The amount financed by ERCOT pursuant to PURA Chapter 39, Subchapter M, as authorized by the Public Utility Commission of Texas (PUCT), but which may not exceed $800 million.

**Securitization Default Charge**

Charges assessed to Qualified Scheduling Entities (QSEs) and Congestion Revenue Right (CRR) Account Holders to repay the Securitization Default Balance.

9.1.2 Settlement Calendar

(1) ERCOT shall post and maintain on the ERCOT website a Settlement Calendar to denote, for each Operating Day, when:

(a) Each scheduled Settlement Statement for the DAM will be issued under Section 9.2.4, DAM Statement, and Section 9.2.5, DAM Resettlement Statement;

(b) Each scheduled Settlement Statement for the RTM will be issued under Section 9.5.4, RTM Initial Statement, Section 9.5.5, RTM Final Statement, Section 9.5.6, RTM Resettlement Statement, and Section 9.5.8, RTM True-Up Statement;

(c) Each Settlement Invoice will be issued under Section 9.6, Settlement Invoices for the Day-Ahead Market and Real-Time Market;

(d) Payments for the Settlement Invoice are due under Section 9.7, Payment Process for the Settlement Invoices;

(e) Each Default Uplift Invoice will be issued under Section 9.19, Partial Payments by Invoice Recipients;

(f) Payments for Default Uplift Invoices are due under Section 9.19.1, Default Uplift Invoices;

(g) Each Congestion Revenue Right (CRR) Auction Invoice will be issued under Section 9.8, CRR Auction Award Invoices;

(h) Payments for CRR Auction Invoices are due under Section 9.9, Payment Process for CRR Auction Invoices;

(i) Each CRR Auction Revenue Distribution (CARD) Invoice will be issued under Section 9.10, CRR Auction Revenue Distribution Invoices;

(j) Payments for CARD Invoices are due under Section 9.11, Payment Process for CRR Auction Revenue Distribution;

(k) Each CRR Balancing Account (CRRBA) Invoice will be issued under Section 9.12, CRR Balancing Account Invoices;

(l) Payments for CRRBA Invoices are due under Section 9.13, Payment Process for the CRR Balancing Account;

(m) Each miscellaneous Invoice for Securitization Default Charges will be issued under Section 26.3, Miscellaneous Invoices for Securitization Default Charges;

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| (n) Payments for miscellaneous Invoices for Securitization Default Charges are due under Section 26.3.1, Payment Process for Miscellaneous Invoices for Securitization Default Charges; and[NPRRXXX: Replace paragraphs (m) and (n) above with the following upon system implementation:] (m) Securitization Default Charge Invoices will be issued in accordance with Section 26.3, Securitization Default Charge Invoices; (n) Payments for Securitization Default Charge Invoices are due under Section 26.3.1, Payment Process for Securitization Default Charge Invoices; and |

(o) Settlement and billing disputes for each scheduled Settlement Statement of an Operating Day and Settlement Invoice must be submitted under Section 9.14, Settlement and Billing Dispute Process.

(2) ERCOT shall notify Market Participants if any of the aforementioned data will not be available on the date specified in the Settlement Calendar.

16.11.4.7 Credit Monitoring and Management Reports

(1) ERCOT shall post twice each Business Day on the Market Information System (MIS) Certified Area each active Counter-Party’s credit monitoring and management related reports as listed below. The first posting shall be made by 1200 and the second posting shall be made as close as reasonably possible to the close of the Business Day but no later than 2350. The reports listed in items (f) and (g) below are not required to be included in both first and second posting if the Counter-Party has no active CRR ownership. The reports listed in items (c), (d), (e), (f), and (g) below are not required to be included in the second post if there are no changes to the underlying data. ERCOT shall post one set of these reports on the MIS Certified Area on each non-Business Day for which an ACL is sent.

(a) Available Credit Limit (ACL) Summary Report;

(b) Total Potential Exposure (TPE) Summary Report;

(c) Minimum Current Exposure (MCE) Summary Report;

(d) Estimate Aggregate Liability (EAL) Summary Report;

(e) Estimated Aggregate Liability (EAL) Detail Report;

(f) Future Credit Exposure for CRR PTP Obligations (FCEOBL) Summary Report;

(g) Future Credit Exposure for CRR PTP Options (FCEOPT) Summary Report; and

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| [NPRRXXX: Insert item (h) below upon system implementation:] (h) Securitization Credit Exposure Report. |

(2) The reports listed in paragraph (1) above will be posted to the MIS Certified Area in Portable Document File (PDF) format and Microsoft Excel (XLS) format. There shall be a provision to “open”, “save” and “print” each report.

**26 Securitization Default Charges**

**26.1 Overview**

This section establishes processes for the assessment of Securitization Default Charges and Securitization Default Charge credit requirements.

**26.2 Securitization Default Charges**

(1) ERCOT shall issue Invoices to Qualified Scheduling Entities (QSEs) and Congestion Revenue Right (CRR) Account Holders to collect the monthly amount determined by ERCOT to be necessary to repay the Securitization Default Balance. ERCOT may assess Securitization Default Charges over a period of up to 30 years.

(2) Each Counter-Party’s share of the Securitization Default Charge for a month is calculated using the best available Settlement data for the most recent month for which ERCOT has posted Final Settlement data for all Operating Days in the month (referred to below as “the reference month”), as follows:

**SDCRSCP** ***cp* = TSDCMA \* SDCMMARS** ***cp***

Where:

SDCMMARS *cp* = SDCMMA *cp* / SDCMMATOT

SDCMMA *cp* = Max { ∑*mp* (SDCRTMG *mp*+ SDCRTDCIMP *mp*),

∑*mp* (SDCRTAML *mp* + SDCWSLTOT *mp*),

∑*mp*SDCRTQQES *mp*,

∑*mp* SDCRTQQEP *mp*,

∑*mp* SDCDAES *mp*,

∑*mp* SDCDAEP *mp*,

∑*mp* (SDCRTOBL *mp +* SDCRTOBLLO *mp*),

∑*mp* (SDCDAOPT *mp*+ SDCDAOBL *mp*+SDCOPTS *mp*+SDCOBLS *mp*),

∑*mp* (SDCOPTP *mp*+ SDCOBLP *mp*)}

SDCMMATOT = ∑*cp* (SDCMMA *cp*)

Where:

SDCRTMG *mp* = ∑ *r, p, i* (RTMG *mp, r, p, i*), excluding RTMG for Reliability Must-Run (RMR) Resources and RTMG in Reliability Unit Commitment (RUC)-Committed Intervals for RUC-committed Resources

SDCRTDCIMP *mp* = ∑*p, i* (RTDCIMP *mp, p, i*) / 4

SDCRTAML *mp* = max(0,∑*p, i* (RTAML *mp, p, i*))

SDCRTQQES *mp* = ∑*p, i* (RTQQES *mp, p, i*) / 4

SDCRTQQEP *mp* = ∑*p, i* (RTQQEP *mp, p, i*) / 4

SDCDAES *mp* = ∑*p, h* (DAES *mp, p, h*)

SDCDAEP *mp* = ∑*p, h* (DAEP *mp, p, h*)

SDCRTOBL *mp* = ∑*(j, k), h* (RTOBL*mp, (j, k), h*)

SDCRTOBLLO *mp* = ∑*(j, k), h* (RTOBLLO*mp, (j, k), h*)

SDCDAOPT *mp* = ∑*(j, k), h* (OPT*mp, (j, k), h*)

SDCDAOBL *mp* = ∑*(j, k), h* (DAOBL*mp, (j, k), h*)

SDCOPTS *mp* = ∑*(j, k), h* (OPTS*mp, (j, k), h*)

SDCOBLS *mp* = ∑*(j, k), h* (OBLS*mp, (j, k), h*)

SDCOPTP *mp* = ∑*(j, k), h* (OPTP*mp, j, h*)

SDCOBLP *mp* = ∑*(j, k), h* (OBLP*mp, (j, k), h*)

SDCWSLTOT *mp* = (-1) \* ∑*r, b* (MEBL *mp, r, b*)

The above variables are defined as follows:

| Variable | Unit | Definition |
| --- | --- | --- |
| SDCRSCP *cp* | $ | *Securitization Default Charge Ratio Share per Counter-Party*—The Counter-Party’s pro rata portion of the total Securitization Charges for a month.  |
| TSDCMA | $ | *Total Securitization Default Charge Monthly Amount*—The amount ERCOT determines must be collected for the month in order to timely repay the Securitization Default Balance. |
| SDCMMARS *cp* | None | *Securitization Default Charge Maximum MWh Activity Ratio Share*—The Counter-Party’s pro rata share of Maximum MWh Activity. |
| SDCMMA *cp* | MWh | *Securitization Default Charge Maximum MWh Activity*—The maximum MWh activity of all Market Participants represented by the Counter-Party in the DAM, RTM and CRR Auction for the reference month. |
| SDCMMATOT | MWh | *Securitization Default Charge Maximum MWh Activity Total*—The sum of all Counter-Party’s Maximum MWh Activity. |
| RTMG *mp, p, r, i* | MWh | *Real-Time Metered Generation per Market Participant per Settlement Point per Resource*—The Real-Time energy produced by the Generation Resource *r* represented by Market Participant *mp*, at Resource Node *p*, for the 15-minute Settlement Interval *i*, where the Market Participant is a QSE. |
| SDCRTMG *mp* | MWh | *Securitization Default Charge Real-Time Metered Generation per Market Participant*—The monthly sum in the reference month of Real-Time energy produced by Generation Resources represented by Market Participant *mp*, excluding generation for RMR Resources and generation in RUC-Committed Intervals, where the Market Participant is a QSE assigned to the registered Counter-Party.  |
| RTDCIMP *mp, p, i* | MW | *Real-Time DC Import per QSE per Settlement Point*—The aggregated Direct Current Tie (DC Tie) Schedule submitted by Market Participant *mp,* as an importer into the ERCOT System through DC Tie *p*, for the 15-minute Settlement Interval *i*, where the Market Participant is a QSE. |
| SDCRTDCIMP *mp* | MW | *Securitization Default Charge Real-Time DC Import per Market Participant*—The monthly sum in the reference month of the aggregated DC Tie Schedule submitted by Market Participant *mp*, as an importer into the ERCOT System where the Market Participant is a QSE assigned to a registered Counter-Party. |
| RTAML *mp, p, i* | MWh | *Real-Time Adjusted Metered Load per Market Participant per Settlement Point*—The sum of the Adjusted Metered Load (AML) at the Electrical Buses that are included in Settlement Point *p* represented by Market Participant *mp* for the 15-minute Settlement Interval *i*, where the Market Participant is a QSE. |
| SDCRTAML *mp* | MWh | *Securitization Default Charge Real-Time Adjusted Metered Load per Market Participant*—The monthly sum in the reference month of the AML represented by Market Participant *mp*, where the Market Participant is a QSE assigned to the registered Counter-Party. |
| RTQQES *mp, p, i* | MW | *QSE-to-QSE Energy Sale per Market Participant per Settlement Point*—The amount of MW sold by Market Participant *mp* through Energy Trades at Settlement Point *p* for the 15-minute Settlement Interval *i*, where the Market Participant is a QSE. |
| SDCRTQQES *mp* | MWh | *Securitization Default Charge QSE-to-QSE Energy Sale per Market Participant*—The monthly sum in the reference month of MW sold by Market Participant *mp* through Energy Trades, where the Market Participant is a QSE assigned to the registered Counter-Party. |
| RTQQEP *mp, p, i* | MW | *QSE-to-QSE Energy Purchase per Market Participant per Settlement Point*—The amount of MW bought by Market Participant *mp* through Energy Trades at Settlement Point *p* for the 15-minute Settlement Interval *i*, where the Market Participant is a QSE. |
| SDCRTQQEP *mp* | MWh | *Securitization Default Charge QSE-to-QSE Energy Purchase per Market Participant*—The monthly sum in the reference month of MW bought by Market Participant *mp* through Energy Trades, where the Market Participant is a QSE assigned to the registered Counter-Party. |
| DAES *mp, p, h* | MW | *Day-Ahead Energy Sale per Market Participant per Settlement Point per hour*—The total amount of energy represented by Market Participant *mp*’s cleared Three-Part Supply Offers in the DAM and cleared DAM Energy-Only Offers at Settlement Point *p*, for the hour *h*, where the Market Participant is a QSE. |
| SDCDAES *mp* | MWh | *Securitization Default Charge Day-Ahead Energy Sale per Market Participant*—The monthly total in the reference month of energy represented by Market Participant *mp*’s cleared Three-Part Supply Offers in the DAM and cleared DAM Energy-Only Offer Curves, where the Market Participant is a QSE assigned to the registered Counter-Party. |
| DAEP *mp, p, h* | MW | *Day-Ahead Energy Purchase per Market Participant per Settlement Point per hour*—The total amount of energy represented by Market Participant *mp*’s cleared DAM Energy Bids at Settlement Point *p* for the hour *h*, where the Market Participant is a QSE. |
| SDCDAEP *mp* | MWh | *Securitization Default Charge Day-Ahead Energy Purchase per Market Participant*—The monthly total in the reference month of energy represented by Market Participant *mp*’s cleared DAM Energy Bids, where the Market Participant is a QSE assigned to the registered Counter-Party. |
| RTOBL *mp, (j, k), h* | MW | *Real-Time Obligation per Market Participant per source and sink pair per hour*—The number of Market Participant *mp*’s Point-to-Point (PTP) Obligations with the source *j* and the sink *k* settled in Real-Time for the hour *h*, and where the Market Participant is a QSE. |
| SDCRTOBL *mp* | MWh | *Securitization Default Charge Real-Time Obligation per Market Participant*—The monthly total in the reference month of Market Participant *mp*’s PTP Obligations settled in Real-Time, counting the quantity only once per source and sink pair, and where the Market Participant is a QSE assigned to the registered Counter-Party. |
| RTOBLLO *q, (j, k)* | MW | *Real-Time Obligation with Links to an Option per QSE per pair of source and sink*⎯The total MW of the QSE’s PTP Obligation with Links to an Option Bids cleared in the DAM and settled in Real-Time for the source *j* and the sink *k* for the hour. |
| SDCRTOBLLO *q, (j, k)* | MW | *Securitization Default Charge Real-Time Obligation with Links to an Option per QSE per pair of source and sink*⎯The monthly total in the reference month of Market Participant *mp*’s MW of PTP Obligation with Links to Options Bids cleared in the DAM and settled in Real-Time for the source *j* and the sink *k* for the hour, where the Market Participant is a QSE assigned to the registered Counter-Party. |
| OPT *mp, (j, k), h* | MW | *Day-Ahead Option per Market Participant per source and sink pair per hour*⎯The number of Market Participant *mp*’s PTP Options with the source *j* and the sink *k* owned in the DAM for the hour *h*, and where the Market Participant is a CRR Account Holder.  |
| SDCDAOPT *mp* | MWh | *Securitization Default Charge Day-Ahead Option per Market Participant*⎯The monthly total in the reference month of Market Participant *mp*’s PTP Options owned in the DAM, counting the ownership quantity only once per source and sink pair, and where the Market Participant is a CRR Account Holder assigned to the registered Counter-Party. |
| DAOBL *mp, (j, k), h* | MW | *Day-Ahead Obligation per Market Participant per source and sink pair per hour*—The number of Market Participant *mp*’s PTP Obligations with the source *j* and the sink *k* owned in the DAM for the hour *h*, and where the Market Participant is a CRR Account Holder.  |
| SDCDAOBL *mp* | MWh | *Securitization Default Charge Day-Ahead Obligation per Market Participant*⎯The monthly total in the reference month of Market Participant *mp*’s PTP Obligations owned in the DAM, counting the ownership quantity only once per source and sink pair, where the Market Participant is a CRR Account Holder assigned to the registered Counter-Party. |
| OPTS *mp, (j, k), a, h* | MW | *PTP Option Sale per Market Participant per source and sink pair per CRR Auction per hour*—The MW quantity that represents the total of Market Participant *mp*’s PTP Option offers with the source *j* and the sink *k* awarded in CRR Auction *a*, for the hour *h*, where the Market Participant is a CRR Account Holder. |
| SDCOPTS *mp* | MWh | *Securitization Default Charge PTP Option Sale per Market Participant*—The MW quantity that represents the monthly total in the reference month of Market Participant *mp*’s PTP Option offers awarded in CRR Auctions, counting the awarded quantity only once per source and sink pair, where the Market Participant is a CRR Account Holder assigned to the registered Counter-Party. |
| OBLS *mp, (j, k), a, h* | MW | *PTP Obligation Sale per Market Participant per source and sink pair per CRR Auction per hour*—The MW quantity that represents the total of Market Participant *mp*’s PTP Obligation offers with the source *j* and the sink *k* awarded in CRR Auction *a*, for the hour *h*, where the Market Participant is a CRR Account Holder. |
| SDCOBLS *mp* | MWh | *Securitization Default Charge PTP Obligation Sale per Market Participant*—The MW quantity that represents the monthly total in the reference month of Market Participant *mp*’s PTP Obligation offers awarded in CRR Auctions, counting the quantity only once per source and sink pair, where the Market Participant is a CRR Account Holder assigned to the registered Counter-Party. |
| OPTP *mp, (j, k), a, h* | MW | *PTP Option Purchase per Market Participant per source and sink pair per CRR Auction per hour*—The MW quantity that represents the total of Market Participant *mp*’s PTP Option bids with the source *j* and the sink *k* awarded in CRR Auction *a*, for the hour *h*, where the Market Participant is a CRR Account Holder. |
| SDCOPTP *mp* | MWh | *Securitization Default Charge PTP Option Purchase per Market Participant*—The MW quantity that represents the monthly total in the reference month of Market Participant *mp*’s PTP Option bids awarded in CRR Auctions, counting the quantity only once per source and sink pair, where the Market Participant is a CRR Account Holder assigned to the registered Counter-Party. |
| OBLP *mp, (j, k), a, h* | MW | *PTP Obligation Purchase per Market Participant per source and sink pair per CRR Auction per hour*—The MW quantity that represents the total of Market Participant *mp*’s PTP Obligation bids with the source *j* and the sink *k* awarded in CRR Auction *a*, for the hour *h*, where the Market Participant is a CRR Account Holder. |
| SDCOBLP *mp* | MWh | *Securitization Default Charge PTP Obligation Purchase per Market Participant*—The MW quantity that represents the monthly total in the reference month of Market Participant *mp*’s PTP Obligation bids awarded in CRR Auctions, counting the quantity only once per source and sink pair, where the Market Participant is a CRR Account Holder assigned to the registered Counter-Party. |
| SDCWSLTOT *mp* | MWh | *Securitization Default Charge Metered Energy for Wholesale Storage Load at bus per Market Participant*⎯The monthly sum in the reference month of Market Participant *mp*’s Wholesale Storage Load (WSL) energy metered by the Settlement Meter which measures WSL. |
| MEBL *mp, r, b* | MWh | *Metered Energy for Wholesale Storage Load at bus*⎯The WSL energy metered by the Settlement Meter which measures WSL for the 15-minute Settlement Interval represented as a negative value, for the Market Participant *mp*, Resource *r*, at bus *b*.  |
| *cp* | none | A registered Counter-Party. |
| *mp* | none | A Market Participant that is a QSE or CRR Account Holder with activity in the reference month, except for a Market Participant exempt from Securitization Default Charges pursuant to the Final Order entered by the Public Utility Commission of Texas (PUC) in PUC Docket No. 52321. Defaulted Market Participants with market activity in the reference month are included in the calculation.  |
| *j* | none | A source Settlement Point. |
| *k* | none | A sink Settlement Point. |
| *a* | none | A CRR Auction. |
| *p* | none | A Settlement Point. |
| *i* | none | A 15-minute Settlement Interval. |
| *h* | none | The hour that includes the Settlement Interval i. |
| *r* | none  | A Resource.  |

(3) The Securitization Default Charge amount will be allocated to the QSE or CRR Account Holder assigned to a registered Counter-Party based on the pro-rata share of MWhs that the QSE or CRR Account Holder contributed to its Counter-Party’s maximum MWh activity ratio share.

(4) As needed, but no less than annually, ERCOT will conduct an evaluation to determine if the Total Securitization Default Charge Monthly Amount (TSDCMA), which is the amount collected each month to repay the Securitization Default Balance, should be modified. In conducting this evaluation, ERCOT will calculate the amount that must be collected each month to service the then-remaining Securitization Default Balance debt in even monthly amounts over the remaining tenor of the debt.

(5) If ERCOT modifies the TSDCMA pursuant to paragraph (4) above, ERCOT will issue a Market Notice notifying Market Participants of the change no later than 15 days before the beginning of the month in which the new TSDCMA will be used to calculate the Securitization Default Charges.

26.3 Miscellaneous Invoices for Securitization Default Charges

(1) ERCOT shall prepare miscellaneous Invoices for Securitization Default Charges on a monthly basis, as specified in Section 9.1.2, Settlement Calendar, on the seventh Business Day of a month. Unless expressly stated otherwise, the publication of the miscellaneous Invoices can occur as late as 2400 on the scheduled publication date. The Market Participant to whom the Invoice is addressed (“Invoice Recipient”) is a payor.

(2) Each Invoice Recipient shall pay any debit shown on the miscellaneous Invoice for Securitization Default Charges on the payment due date, whether or not there is any Settlement and billing dispute regarding the amount of the debit.

(3) ERCOT shall post miscellaneous Invoices for Securitization Default Charges on the Market Information System (MIS) Certified Area. The Invoice Recipient is responsible for accessing the Invoices on the MIS Certified Area once posted by ERCOT, as described in Section 9.1.3, Settlement Statement and Invoice Access.

(4) All disputes for miscellaneous Invoices related to the Securitization Default Charges shall follow the process described in Section 9.14, Settlement and Billing Dispute Process.

### 26.3.1 Payment Process for Miscellaneous Invoices for Securitization Default Charges

(1) Payments for miscellaneous Invoices for Securitization Default Charges are due on a Business Day and Bank Business Day basis in a process detailed below.

### 26.3.1.1 Invoice Recipient Payment to ERCOT for Miscellaneous Invoices for Securitization Default Charges

(1) The payment due date and time for the miscellaneous Invoices for Securitization Default Charges, with funds owed by an Invoice Recipient, is 1700 on the fifth Bank Business Day after the miscellaneous Invoice date, unless the fifthBank Business Day is not a Business Day. If the fifth Bank Business Day is not a Business Day, then the payment is due by 1700 on the next Bank Business Day after the fifth Bank Business Day that is also a Business Day.

(2) All miscellaneous Invoices for Securitization Default Charges due, with funds owed by an Invoice Recipient, must be paid to ERCOT in U.S. Dollars (USDs) by Electronic Funds Transfer (EFT) in immediately available or good funds (i.e., not subject to reversal) on or before the payment due date. EFTs must be with U.S. banks only.

(3) Miscellaneous Invoices that are issued for Securitization Default Charges are distinct from other Invoices issued by ERCOT and must be paid by an EFT that is separate from any other Invoice. An Invoice Recipient may not net amounts owing on a miscellaneous Invoice for Securitization Default Charges with any other funds due to or from ERCOT.

(4) Payments for Securitization Default Charges must be made to the account listed on the invoice. If payment is not made to the correct account, the payment will be rejected. Failure to remit funds to the correct account may result in a Payment Breach. The payment remark must include the invoice number.

### 26.3.1.2 Insufficient Payments by Miscellaneous Invoice Recipients for Securitization Default Charges

(1) If an Invoice Recipient owing funds does not pay its miscellaneous Invoice for Securitization Default Charges in full (short-pay) by the payment due date and time set forth in Section 26.3.1.1, Invoice Recipient Payment to ERCOT for Miscellaneous Invoices for Securitization Default Charges, ERCOT shall follow the procedure set forth below:

(a) ERCOT shall draw on any available Securitization Default Charge escrow deposit by the short-paying miscellaneous Invoice Recipient.

(b) Regardless of whether ERCOT’s draw on an available Securitization Default Charge escrow deposit under paragraph (a) above is sufficient to cover the amount owed by a Market Participant for a miscellaneous Invoice for Securitization Default Charges, a Market Participant’s failure to pay the miscellaneous Invoice by the payment due date and time will still be deemed a Payment Breach under Section 16.11.6, Payment Breach and Late Payments by Market Participants.

(c) If an amount owed to ERCOT for a miscellaneous Invoice for Securitization Default Charges cannot be fully recovered from a short-paying Market Participant by drawing upon available Securitization Default Charge escrow deposits or taking other action against the Market Participant to recover the amount owed, the remaining short payment amount will be taken into consideration in ERCOT’s next evaluation of the Total Securitization Default Charge Monthly Amount performed pursuant to paragraph (4) of Section 26.2, Securitization Default Charges, that occurs after the short payment.

(d) Any action taken by ERCOT under this section does not relieve or otherwise excuse the short paying Market Participant of its obligation to fully pay all outstanding financial obligations to ERCOT, including is obligation to fully pay all miscellaneous Invoices for Securitization Default Charges.

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| [NPRRXXX: Sections 26.3, 26.3.1, 26.3.1.1, and 26.3.1.2 above with the following upon system implementation:] 26.3 Securitization Default Charge Invoices (1) ERCOT shall prepare Securitization Default Charge Invoices on a monthly basis, as specified in Section 9.1.2, Settlement Calendar, on the seventh Business Day of a month. Unless expressly stated otherwise, the publication of the Securitization Default Charge Invoices can occur as late as 2400 on the scheduled publication date. The Market Participant to whom the Invoice is addressed (“Invoice Recipient”) is a payor. (2) Each Invoice Recipient shall pay any debit shown on the Securitization Default Charge Invoice on the payment due date, whether or not there is any Settlement and billing dispute regarding the amount of the debit.(3) ERCOT shall post the Securitization Default Charge Invoice on the MIS Certified Area. The Invoice Recipient is responsible for accessing the Securitization Default Charge Invoice on the MIS Certified Area once posted by ERCOT, as described in Section 9.1.3, Settlement Statement and Invoice Access. (4) The Securitization Default Charge Invoice must comply with the Settlement payment convention, as set forth in Section 9.1.5, Settlement Payment Convention. (5) Securitization Default Charge Invoices must contain the following information:(a) The Invoice Recipient’s name;(b) The ERCOT identifier (Settlement identification number issued by ERCOT);(c) Net Amount Owed– the charge owed by an Invoice Recipient;(d) Time Period – the reference month for which the Securitization Default Charge Invoice is generated; (e) Run Date – the date on which the Invoice was created and published;(f) Invoice Reference Number – a unique number generated by ERCOT for payment tracking purposes;(g) Payment Date and Time – the date and time the Invoice amounts must be paid;(h) Remittance Information Details – details including the account number, bank name, and electronic transfer instructions of the ERCOT Securitization Default Charge account to which any amounts owed by the Invoice Recipient are to be paid; and(i) Overdue Terms – the terms that would apply if the payments were received late. (6) All disputes for Securitization Default Charge Invoices shall follow the process described in Section 9.14, Settlement and Billing Dispute Process.26.3.1 Payment Process for Securitization Default Charge Invoices(1) Payments for Securitization Default Charge Invoices are due on a Business Day and Bank Business Day basis in a process detailed below.26.3.1.1 Invoice Recipient Payment to ERCOT for Securitization Default Charge Invoices(1) The payment due date and time for Securitization Default Charge Invoices, with funds owed by an Invoice Recipient, is 1700 on the fifth Bank Business Day after the Securitization Default Charge Invoice date, unless fifthBank Business Day is not a Business Day. If the fifth Bank Business Day is not a Business Day, then the payment is due by 1700 on the next Bank Business Day after the fifth Bank Business Day that is also a Business Day. (2) All Securitization Default Charge Invoices due, with funds owed by an Invoice Recipient, must be paid to ERCOT in U.S. Dollars (USDs) by Electronic Funds Transfer (EFT) in immediately available or good funds (i.e., not subject to reversal) on or before the payment due date. EFTs must be with U.S. banks only.(3) Securitization Default Charge Invoices are distinct from other Invoices issued by ERCOT and must be paid by an EFT that is separate from any other Invoice. An Invoice Recipient may not net amounts owing on a Securitization Default Charge Invoice with any other funds due to or from ERCOT. (4) Payments for Securitization Default Charges must be made to the account listed on the Invoice. If payment is not made to the correct account, the payment will be rejected. Failure to remit funds to the correct account may result in a Payment Breach. The payment remark must include the Invoice number.26.3.1.2 Insufficient Payments by Invoice Recipients for Securitization Default Charge Invoices (1) If an Invoice Recipient owing funds does not pay its Securitization Default Charge Invoice in full (short-pay) by the payment due date and time set forth in Section 26.3.1.1, ERCOT shall follow the procedure set forth below:(a) ERCOT shall draw on any available Securitization Default Charge escrow deposits by the Invoice Recipient. (b) Regardless of whether ERCOT’s draw on available Securitization Default Charge escrow deposits under paragraph (a) above is sufficient to cover the amount owed by a Market Participant for a Securitization Default Charge Invoice, a Market Participant’s failure to pay the Invoice by the payment due date and time will still be deemed a Payment Breach under Section 16.11.6, Payment Breach and Late Payments by Market Participants. (e) If an amount owed to ERCOT for a Securitization Default Charge Invoice cannot be fully recovered from a short-paying Market Participant by drawing upon available Securitization Default Charge escrow deposits or taking other action against the Market Participant to recover the amount owed, the remaining short payment amount will be taken into consideration in ERCOT’s next evaluation of the Total Securitization Default Charge Monthly Amount performed pursuant to paragraph (4) of Section 26.2, Securitization Default Charges, that occurs after the short payment. (f) Any action taken by under this section does not relieve or otherwise excuse the short paying Market Participant of its obligation to fully pay all outstanding financial obligations to ERCOT, including is obligation to fully pay all Securitization Default Charge Invoices. |

26.4 Securitization Default Charge Supporting Data Reporting

(1) On a monthly basis, ERCOT shall post the following information on the Market Information System (MIS) Certified Area:

(a) Securitization Default Charge Maximum MWh Activity (SDCMMA);

(b) Securitization Default Charge Maximum MWh Activity Total (SDCMMATOT);

(c) Securitization Default Charge Maximum MWh Activity Ratio Share (SDCMMARS); and

(d) Counter-Party level components of the SDCMMA calculation, as defined in paragraph (2) of Section 26.2, Securitization Default Charges.

(2) ERCOT shall post separate reports containing Initial and Final Settlement data as such data becomes available.

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| [NPRRXXX: Section 26.4 above with the following upon system implementation:] 26.4 Securitization Default Charge Supporting Data Reporting(1) On a monthly basis, ERCOT shall post the following information on the Market Information System (MIS) Certified Area:(a) Securitization Default Charge Maximum MWh Activity (SDCMMA); (b) Securitization Default Charge Maximum MWh Activity Total (SDCMMATOT); (c) Securitization Default Charge Maximum MWh Activity Ratio Share (SDCMMARS): and (d) Counter-Party level components of the SDCMMA calculation, as defined in paragraph (2) of Section 26.2, Securitization Default Charge. (2) ERCOT shall post a report containing Initial Settlement data as such data becomes available. The report shall be updated with Final Settlement data as such data becomes available. |

**26.5 Securitization Default Charge Escrow Deposit Requirements**

**26.5.1 Securitization Default Charge Escrow**

1. The term “Securitization Default Charge escrow deposit” means the amount required to be deposited with ERCOT in the form of cash or an unconditional, irrevocable letter of credit to be held in escrow for a Market Participant’s obligation to pay Securitization Default Charges.
2. Although ERCOT is the servicer for the assessment and collection of Securitization Default Charges, by providing escrow deposits pursuant to this Section each Counter-Party grants the Texas Electric Market Stabilization Funding M LLC (TEMSFM) a secured interest in Securitization Default Charge escrow deposits to secure its obligation to pay the same.
3. The security interest of TEMSFM is perfected upon a Counter-Party’s deposit of cash or a letter of credit with ERCOT pursuant to this Section.

**26.5.2 ERCOT Securitization Default Charge Credit Requirements for Counter-Parties**

1. A Counter-Party must, at all times, maintain its Securitization Default Charge escrow deposit at or above the amount of its Securitization Default Charge Credit Exposure (SDCCE). Each Counter-Party shall maintain any required Securitization Default Charge escrow deposit in a form acceptable to ERCOT in its sole discretion pursuant to Section 26.5.3, Means of Satisfying Securitization Default Charge Credit Requirements.
2. If at any time a Counter-Party does not meet ERCOT’s SDCCE requirements, then the Counter-Party will be considered to be in Payment Breach and ERCOT may suspend the Counter-Party’s rights under these Protocols until it meets the SDCCE requirements.
3. ERCOT’s failure to suspend a Counter-Party’s rights on any particular occasion does not prevent ERCOT from suspending those rights on any subsequent occasion, including a CRR Account Holder’s ability to bid on future CRRs or a Qualified Scheduling Entity’s ability to bid in the Day-Ahead Market (DAM).

**26.5.3 Means of Satisfying Securitization Default Charge Credit Requirements**

(1) If a Counter-Party is required to provide a Securitization Default Charge escrow deposit, then it may do so through one or both of the following means:

(a) The Counter-Party may give an unconditional, irrevocable letter of credit naming Texas Electric Market Stabilization Funding M LLC (TEMSFM) as the beneficiary. ERCOT or the TEMSFM may reject the letter of credit if the issuer is unacceptable to ERCOT or TEMSFM or if the conditions under which ERCOT or TEMSFM may draw against the letter of credit are unacceptable to ERCOT or TEMSFM.

(b) All letters of credit must be drawn on a US domestic bank or a domestic office of a foreign bank, and must meet the requirements in Section 16.11.3, Alternative Means of Satisfying ERCOT Creditworthiness Requirement.

(c) Letters of credit held as Securitization Default Charge escrow deposits are subject to letter of credit issuer limits as specified in paragraph (1) of Section 16.11.3.

(d) The Counter-Party may deposit cash with ERCOT with the understanding that ERCOT may draw part or all of the deposited cash to satisfy any overdue payments owed by the Counter-Party to ERCOT for Securitization Default Charges. The cash deposits may bear interest payable directly to the Counter-Party, but any such arrangements may not restrict ERCOT’s immediate access to the cash.

(i) Interest on cash deposited pursuant to this Section will be calculated based on Counter-Party average cash deposit balance. Interest is not paid on a cash deposit balance held by ERCOT where, in accordance with paragraph (4) of Section 16.11.7, Release of Market Participant’s Financial Security Requirement, the Counter-Party’s Standard Form Market Participant Agreement has been terminated and ERCOT has determined that no obligations for Securitization Default Charges remain owing or will become due and payable.

(ii) Once per year, ERCOT will return interest earned on a Counter-Party’s cash deposits pursuant to this Section to the Counter-Party.

(2) Securitization Default Charge escrow deposits are held solely for the purpose of collateralizing Securitization Default Charge credit exposure. They are independent of and in addition to any other Financial Security obligations of the Counter-Party arising under Section 16.11, Financial Security for Counter-Parties, or Section 27, Securitization Uplift Charges.

(3) A Counter-Party with excess cash held with respect to one or more Securitization Default Charge escrow deposit requirements may request ERCOT to return some or all of the excess cash to the Counter-Party.

(4) Securitization Default Charge escrow deposits will not be used to pay periodic Securitization Default Charge Invoices unless there is an insufficient payment by the Invoice Recipient, in accordance with Section 26.3.1.2, Insufficient Payments by Miscellaneous Invoice Recipients for Securitization Default Charges.

(5) Securitization Default Charge escrow deposits in excess of the Securitization Default Charge Credit Exposure requirement shall not be used to cover insufficient payments of Settlement Invoices for ERCOT market activities under Section 9.19, Partial Payments by Invoice Recipients, or requests for additional Financial Security made in accordance with paragraph (6) of Section 16.11.5, Monitoring of a Counter-Party’s Creditworthiness and Credit Exposure by ERCOT.

26.5.4 *Determination of Securitization Default Charge Credit Exposure for a Counter-Party*

(1) For each Counter-Party, ERCOT shall calculate the Securitization Default Charge credit exposure as follows:

SDCCE *cp* = SDCMMARS *cp, rm, s*\* TSDCMA *fmd*)

The above variables are defined as follows:

| Variable | Unit | Description |
| --- | --- | --- |
| SDCCE *cp* | $ | *Securitization Default Charge Credit Exposure –* Estimated credit exposure for each Counter-Party related to Securitization Default Charges. |
| SDCMMARS *cp, om, s* | None | *Securitization Default Charge Maximum MWh Activity Ratio Share* – The Counter-Party’s pro rata share of Securitization Default Charge Maximum MWh Activity in the most recent available reference month *rm* based on Initial Settlements*.* |
| TSDCMA | $ | *Total Securitization Default Charge Monthly Amount* – The amount ERCOT determines must be collected for the month in order to timely repay the Securitization Default Balance. |
| *cp* | none | A registered Counter-Party. |
| *rm* | none | *Reference Month* – most recent available operating month  |
| *fmd* | None | *Forward Month* – a month from Securitization Default Charge forward months |
| *nfmd* | None | *Number of forward months* – total number of forward months Securitization Default Charge is extrapolated |

The above parameters are defined as follows:

| Parameter | Unit | Current Value |
| --- | --- | --- |
| *nfmd* | Months | 4 |

26.5.5 Monitoring of a Counter-Party’s Securitization Default Charge Credit Exposure by ERCOT

(1) Pursuant to Section 16.11.5, Monitoring of a Counter-Party’s Creditworthiness and Credit Exposure by ERCOT, ERCOT shall monitor the credit exposure of each Counter-Party, including Securitization Default Charge credit exposure.

(2) A Counter-Party is responsible at all times for maintaining Securitization Default Charge escrow deposits in an amount equal to or greater than that Counter-Party’s Securitization Default Charge credit exposure.

(3) ERCOT shall promptly notify each Counter-Party of the need to increase its Securitization Default Charge escrow deposit and allow the Counter-Party time, as provided in paragraph (5) below, to provide additional Securitization Default Charge escrow deposits to maintain compliance with this Section.

(4) ERCOT may suspend a Counter-Party when that Counter-Party’s SDCCE, as defined in Section 26.5.4, exceeds 100% of its Securitization Default Charge escrow deposit. Any failure by ERCOT to send a Notice as set forth in this Section does not relieve the Counter-Party from the obligation to maintain appropriate Securitization Default Charge escrow deposits in amounts equal to or greater than that Counter-Party’s SDCCE.

(5) To the extent that a Counter-Party fails to maintain Securitization Default Charge escrow deposit in amounts equal to or greater than its SDCCE, each as defined in Section 26.5.4:

(a) ERCOT shall promptly notify the Counter-Party of the amount by which its Securitization Default Charge escrow deposit must be increased and allow it:

(i) Until 1500 on the fifth Bank Business Day from the date on which ERCOT delivered the notice to increase its Securitization Default Charge escrow deposit if ERCOT delivered its Notice before 1500; or

(ii) Until 1700 on the fifth Bank Business Day from the date on which ERCOT delivered notification to increase its Securitization Default Charge escrow deposit if ERCOT delivered its notice after 1500 but prior to 1700.

(b) ERCOT shall notify the QSE’s Authorized Representative(s) and Credit Contact if it has not received the required security by 1530 on the Bank Business Day on which the security was due; however, failure to notify the Counter-Party’s representatives or credit contacts that the required security was not received does not prevent ERCOT from exercising any of its other rights under this Section.

(c) ERCOT is not required to make any payment to a Counter-Party unless and until the Counter-Party increases its Securitization Default Charge escrow deposit to an amount equal to or greater than that Counter-Party’s SDCCE. The payments that ERCOT may not make to a Counter-Party include Invoice receipts, CRR revenues, CRR credits, reimbursements for short payments, and any other reimbursements or credits under any other agreement between the Market Participant and ERCOT. ERCOT may retain all such amounts until the Counter-Party has fully discharged all payment obligations owed to ERCOT under the Agreement, other agreements, and these Protocols.

(6) If a Counter-Party increases its Securitization Default Charge escrow deposit as required by ERCOT by the deadline in paragraph (5)(a) above, then ERCOT shall release any payments held, providing the Counter-Party has no other payment deficiencies with respect to any other activity under these Protocols.

**26.5.6 Payment Breach and Late Payments by Market Participants**

(1) In the event of a Payment Breach or Late Payment by a Market Participant with respect to Securitization Default Charge Invoices or required Securitization Default Charge escrow deposits, all remedies specified in Section 16.11.6, Payment Breach and Late Payments by Market Participants, are applicable.

**26.5.7 Release of Market Participant’s Securitization Default Charge Escrow Deposit Requirement**

(1) Following the termination of a Market Participant’s Standard Form Market Participant Agreement, ERCOT shall retain all Securitization Default Charge escrow deposits to cover, if necessary, potential future obligations for Securitization Default Charges.

(2) Upon ERCOT’s sole determination that all potential Securitization Default Charge Invoices have been paid, ERCOT shall return or release any remaining Securitization Default Charge escrow deposits to the terminated Market Participant.