



Date: December 2, 2021
To: Board of Directors
From: Mark Ruane, Senior Director – Settlements, Retail and Credit
Subject: Approval of Standard Form Letter of Credit for Satisfying Securitization Default Charge Credit Requirements under PURA Chapter 39, Subchapter M

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: December 9-10, 2021

Item No.: 21

Issue:

Whether the ERCOT Board of Directors (Board) should approve a standard form letter of credit for satisfying securitization default charge credit requirements under PURA Chapter 39, Subchapter M.

Background/History:

Means of Financial Security and Board Approval Requirement for Standard Form Revisions Pursuant to Protocol Section 16.11.3

Pursuant to Protocol Section 16.11.3, *Alternative Means of Satisfying ERCOT Creditworthiness Requirements*, if a Counter-Party is required to provide Financial Security under the ERCOT Protocols, then it may do so through one or more of the following means: (1) guarantee; (2) an unconditional, irrevocable letter of credit; (3) surety bond; and (4) cash. Financial Security for Items (1) - (3) must use standard forms, the content of which is approved by the Board.

Recent History

Nodal Protocol Revision Request (NPRR) 1103, *Securitization – PURA Subchapter M Default Charges*, which is expected to be approved by the Board at its meeting on December 9-10, 2021, necessitates a new standard form letter of credit naming Texas Electric Market Stabilization Funding M LLC (TEMSFM) as the beneficiary.

In connection with this change, ERCOT based the TEMSFM standard form letter of credit (**Attachment A**) off ERCOT's standard form letter of credit (**Attachment B**), as approved by the Board, which became effective on January 1, 2017. The TEMSFM standard form letter of credit is substantially similar in form and substance to the ERCOT standard form letter of credit. However, the TEMSFM standard form letter of credit identifies TEMSFM as the beneficiary, rather than ERCOT.

Key Factors Influencing Issue:

- The Board is required to approve any standard form letter of credit pursuant to Protocol Section 16.11.3(1)(b)(i).
- Under NPRR1103, 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 is required to maintain any required Securitization Default Charge escrow deposit in a form acceptable to ERCOT, specifically, with cash or an unconditional, irrevocable letter of credit naming TEMSFM as the beneficiary. The TEMSFM standard form letter of credit is necessary to allow ERCOT to collect certain types of Securitization Default Charge escrow deposits under NPRR1103.

Conclusion/Recommendation:

ERCOT staff recommends that the Board review and approve the proposed standard form letter of credit for satisfying securitization default charge credit requirements under PURA Chapter 39, Subchapter M, as reflected in **Attachment A**, to be effective immediately.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, after due consideration, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to approve the proposed standard form letter of credit for satisfying securitization default charge credit requirements under Public Utility Regulatory Act (PURA) Chapter 39, Subchapter M, as reflected in **Attachment A** hereto, effective immediately;

THEREFORE, BE IT RESOLVED, that the letter of credit, which is attached hereto as **Attachment A**, is hereby authorized and approved in each and every respect to be accepted by ERCOT naming Texas Electric Market Stabilization Funding M LLC (TEMSFM) as the beneficiary of the standard form letter of credit for satisfying securitization default charge credit requirements under PURA Chapter 39, Subchapter M in accordance with the ERCOT Protocols, effective immediately.

CORPORATE SECRETARY'S CERTIFICATE

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its December 9-10, 2021 meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of December, 2021.

Jonathan M. Levine
Assistant Corporate Secretary

**IRREVOCABLE AND UNCONDITIONAL
STANDBY LETTER OF CREDIT**

**Irrevocable and Unconditional Standby
Letter of Credit No.** _____

“Amount”: _____ U.S. Dollars

“Date of Issuance”: _____

“Expiration of Initial Term (subject to automatic extension and renewal as provided herein)”:

“Market Participant Applicant”:

[Name]

[Address]

“Issuer”:

[Name] _____

[Address] _____

[Phone] _____

[Fax] _____

“Beneficiary”:

Texas Electric Market Stabilization Funding M LLC (“TEMSFM”)
Attn: Credit
7620 Metro Center Drive
Austin, Texas 78744
Facsimile No. (512) 225-7020

To Beneficiary:

At the request of and on behalf of Market Participant Applicant, the undersigned Issuer hereby establishes and issues in your favor, effective immediately, an Irrevocable and Unconditional Standby Letter of Credit No. _____ (**“Letter of Credit”**) in the amount of _____ U.S. Dollars.

This Letter of Credit is available for payment upon your demand at sight presented at our counters by hand delivery of courier located at: _____, to the attention of _____ telephone _____, or upon demand by fax at _____ against presentation to us of the following: (i) your written demand for payment containing the text of Exhibit I attached hereto, and (ii) your statement containing the text of Exhibit II, Exhibit IV, Exhibit V, or Exhibit VI attached hereto. If presentation is made by facsimile, original documents will be delivered to us at the address stated above.

Funds may be drawn under this Letter of Credit, from time to time, in one or more drawings, in amounts not exceeding in the aggregate the Amount specified above. Partial drawings shall reduce the Amount thereafter available for drawing under this Letter of Credit.

Upon presentation to us in conformity with the foregoing, we will, not later than the close of business on our next local banking day after presentation, but without any other delay whatsoever, irrevocably and without reserve or condition issue payment instructions to the Federal Reserve wire transfer system in proper form to transfer to the account at the bank designated by you in the demand, the full amount demanded by you in the same-day funds which are immediately available to you up to the Amount of this Letter of Credit.

Payment hereunder shall be made regardless of: (a) any written or oral direction, request, notice or other communication now or hereafter received by us from the Market Participant Applicant or any other person except you, including without limitation any communication regarding fraud, forgery, lack of authority or other defect not apparent on the face of the documents presented by you, but excluding solely an effective written order issued, other than at our instance, by a court of competent jurisdiction which order is legally binding upon us and specifically orders us not to make such payment; (b) the solvency, existence or condition, financial or other, of the Market Participant Applicant or any other person or property from whom or which we may be entitled to reimbursement for such payment; and (c) without limiting clause (b) above, whether we are in receipt of or expect to receive funds or other property as reimbursement in whole or in part for such payment. We agree that we will not take any action to cause the issuance of an order described in clause (a) of the preceding sentence.

We further agree that the time set forth herein for payment of any demand(s) for payment is sufficient to enable us to examine such demand(s) and the related documents(s) referred to above with care so as to ascertain that on their face they appear to comply with the terms of this Letter of Credit and that if such demand(s) and document(s) on their face appear to so comply, failure to make any such payment within such time shall constitute dishonor of such demand(s) and this Letter of Credit.

Except as stated herein, payment is not subject to any condition or qualification. The only documents required to be presented for payment are Exhibit I and one of the following: Exhibit II, Exhibit IV, Exhibit V, or Exhibit VI. Our obligation under this Letter of Credit shall be our individual obligation and in no way is contingent upon reimbursement with respect thereto.

The stated Amount of this Letter of Credit may be increased or decreased by an amendment to this Letter of Credit in the form of Exhibit III executed by you and us. This Letter of Credit may not otherwise be amended or modified without your written agreement. Any such amendment shall become effective only upon acceptance by your signature on a hard copy amendment.

You shall not be bound by any written or oral agreement of any type between us and the Market Participant Applicant or any other person relating to this Letter of Credit, whether now or hereafter existing.

We hereby agree, warrant, and represent that your demand(s) for payment in conformity with the terms of this Letter of Credit will be duly honored as set forth above. All fees, charges, and/or other costs associated with the issuance of and any drawing(s) against this Letter of Credit shall be for the account of and paid by the Market Participant Applicant. All of the rights of Beneficiary set forth herein shall inure to the benefit of Beneficiary's successors and assigns. In this connection, in the event of a drawing made by a party other than Beneficiary, such drawing must be accompanied by the following signed certification:

The undersigned does hereby certify that _____ **[Drawer]** is the successor by operation of law to Texas Electric Market Stabilization Funding M LLC, a beneficiary named in _____ **[Name of Issuer]** Letter of Credit No. _____ and we attach herewith copies of official documents proving our legal status as successor.

[Name and Title]

The initial term of this Letter of Credit shall be one year from the Date of Issuance. It is a condition of this Letter of Credit that it shall be automatically extended without amendment for one (1) additional calendar year after the initial term, or one (1) additional calendar year after any extended term, unless at least sixty (60) days prior to the expiration of the initial term or sixty (60) days prior to the expiration of any extended term we notify Beneficiary by certified mail, return receipt requested (receipt effective upon scheduled weekday delivery day) or facsimile (receipt effective upon receipt of evidence, including facsimile evidence, that the facsimile was actually received) or overnight courier to the address/facsimile number for Beneficiary set forth above that we elect not to extend this Letter of Credit which notice shall contain the following statement:

_____ [Name of Issuer] hereby notifies you that Irrevocable and Unconditional Standby Letter of Credit No. _____ ("**Letter of Credit**") in the remaining amount of _____ U.S. Dollars dated _____ issued by _____ [Name of Issuer] in your favor for the account of _____ [Name of Market Participant Applicant] will not be extended and will expire on _____.

In the event that we timely send notice to you in writing that we elect not to extend this Letter of Credit, you may at any time within the thirty (30) days before the expiration date demand payment of the remaining balance of this Letter of Credit upon presentation of (a) your written demand for payment containing the text of Exhibit I attached hereto, and (b) your statement containing the text of Exhibit IV attached hereto. The demand rights in this paragraph are in addition to any other rights under this Letter of Credit.

It is a condition of this Letter of Credit that we shall maintain a corporate debt rating not less than that required by the protocols of Electric Reliability Council of Texas Inc. (the "ERCOT Protocols"). In the event that we do not maintain the minimum corporate debt rating required by the ERCOT Protocols, you may demand payment of the remaining balance of this Letter of Credit upon presentation of (a) your written demand for payment containing the text of Exhibit I attached hereto, and (b) your statement containing the text of Exhibit V attached hereto. The demand rights in this paragraph are in addition to any other rights under this Letter of Credit.

This Letter of Credit may be terminated by us on sixty (60) days written notice by sending Beneficiary notification by certified mail, return receipt requested (receipt effective upon scheduled weekday delivery day) or facsimile (receipt effective upon receipt of evidence, including facsimile evidence, that the facsimile was actually received) or courier to the address/facsimile number for Beneficiary set forth above that we elect to terminate this Letter of Credit which notice shall contain the following statement:

_____ [Name of Issuer] hereby notifies you that Irrevocable and Unconditional Standby Letter of Credit No. _____ (“**Letter of Credit**”) in the remaining amount of _____ U.S. Dollars dated _____ issued by _____ [Name of Issuer] in your favor for the account of _____ [Name of Market Participant Applicant] will terminate sixty (60) days following our sending this Notice of Termination.

In the event that we send notice to you in writing that we elect to terminate this Letter of Credit, you may at any time within the thirty (30) days before the termination date demand payment of the remaining balance under this Letter of Credit upon presentation of (a) your written demand for payment containing the text of Exhibit I attached hereto, and (b) your statement containing the text of Exhibit VI attached hereto. The demand rights in this paragraph are in addition to any other rights under this Letter of Credit.

Notwithstanding our ability to terminate this Letter of Credit on the terms set forth above, this Letter of Credit is otherwise irrevocable and unconditional.

This Letter of Credit may not be assigned or transferred by us.

The Beneficiary shall not be deemed to have waived any rights under this Letter of Credit, unless the Beneficiary shall have signed a written waiver. No such waiver, unless expressly so stated therein, shall be effective as to any transaction that occurs subsequent to the date of the waiver, nor as to any continuance of a breach after the waiver.

We agree that if, on the expiration or termination date of this Letter of Credit, our counters specified above are not open for business for any reason whatsoever (including without limitation an event under Rule 3.14 of the ISP), drawings under this Letter of Credit will be duly honored if the specified complying documents are presented by you within thirty (30) full banking days after such counters are reopened for business.

Except so far as otherwise stated herein, this Letter of Credit shall be subject to and governed by the International Standby Practices Publication No. 590 of the International Chamber of Commerce, including any amendments, modifications or revisions thereof (the “ISP”), in effect on the date of issuance of this Letter of Credit. This Letter of Credit shall also be governed by the laws of the State of Texas to the extent that the terms of the ISP are not applicable; provided that, in the event of any conflict between the ISP and Texas law, the ISP shall control. To the extent the terms of this Letter of Credit are inconsistent with the provisions of the ISP and/or Texas law, the terms of this Letter of Credit shall govern.

Yours faithfully,

ISSUER

(Name of Issuer)

By: _____

Title: _____

By: _____

Title: _____

EXHIBIT I

DEMAND FOR PAYMENT

Re: Irrevocable and Unconditional Standby Letter of Credit

No. _____ Dated: _____, _____

To Whom It May Concern:

Demand is hereby made upon you for payment to us of \$ _____ by deposit to our account no. _____ at _____ [Name of Issuer]. This demand is made under, and is subject to and governed by, your Irrevocable and Unconditional Standby Letter of Credit No. _____ dated _____, _____ in the amount of \$ _____ established by you in our favor for the account of _____ as the Market Participant Applicant.

Wiring instructions for our account are as follows:

DATED: _____, _____.

Texas Electric Market Stabilization Funding M LLC

By: _____

Title: _____

EXHIBIT II

STATEMENT OF AMOUNT DUE

Re: Irrevocable and Unconditional Standby Letter of Credit
No. _____ Dated: _____, _____

To Whom It May Concern:

Reference is made to your Irrevocable and Unconditional Standby Letter of Credit No. _____ dated _____, _____ in the amount of \$ _____ established by you in our favor for the account of _____.

We hereby certify to you that \$ _____ is due and owing to us by the Market Participant Applicant, under and in accordance with the ERCOT Protocols.

DATED: _____, _____.

Texas Electric Market Stabilization Funding MLLC

By: _____

Title: _____

EXHIBIT III
AMENDMENT

Re: Irrevocable and Unconditional Standby Letter of Credit

No. _____

Dated: _____

Beneficiary:

Market Participant Applicant:

Texas Electric Market Stabilization Funding M LLC ("TEMSFM")

[Name and Address]

7620 Metro Center Drive

Austin, Texas 78744

Attn: Credit

To Whom It May Concern:

The above referenced Irrevocable and Unconditional Standby Letter of Credit is hereby amended as follows: by increasing / decreasing / leaving unchanged (*strike two*) the stated amount by \$ _____ to a new stated amount of \$ _____. All other terms and conditions of the Irrevocable and Unconditional Letter of Credit remain unchanged.

This amendment is effective only when accepted by Beneficiary, which acceptance may only be valid by a signature of an authorized representative.

Dated: _____

Yours faithfully,

[Name of Issuer]

By: _____

Title: _____

ACCEPTED:

Texas Electric Market Stabilization Funding M LLC

By: _____

Title: _____

Date: _____

EXHIBIT IV

STATEMENT REGARDING ISSUER'S NONRENEWAL

Re: Irrevocable and Unconditional Standby Letter of Credit
No. _____ Dated: _____, _____

To Whom It May Concern:

Reference is made to your Irrevocable and Unconditional Standby Letter of Credit No. _____ dated _____, _____ in the amount of \$ _____ established by you in our favor for the account of _____.

We hereby certify to you that Beneficiary has not received an extension or replacement of said Letter of Credit and/or other acceptable replacement collateral from Market Participant Applicant in accordance with the ERCOT Protocols.

DATED: _____, _____.

Texas Electric Market Stabilization Funding M LLC

By: _____

Title: _____

EXHIBIT V

STATEMENT REGARDING ISSUER RATING

Re: Irrevocable and Unconditional Standby Letter of Credit
No. _____ Dated: _____, _____

To Whom It May Concern:

Reference is made to your Irrevocable and Unconditional Standby Letter of Credit No. _____ dated _____, _____ in the amount of \$ _____ established by you in our favor for the account of _____.

We hereby certify to you that the Issuer has not maintained a corporate debt rating required by the ERCOT Protocols and Market Participant Applicant has failed to replace the Letter of Credit in a manner acceptable to Beneficiary and/or provide other acceptable replacement collateral from Market Participant Applicant in accordance with the ERCOT Protocols.

DATED: _____, _____.

Texas Electric Market Stabilization Funding M LLC

By: _____

Title: _____

EXHIBIT VI

STATEMENT REGARDING TERMINATION

Re: Irrevocable and Unconditional Standby Letter of Credit
No. _____ Dated: _____, _____

To Whom It May Concern:

Reference is made to your Irrevocable and Unconditional Standby Letter of Credit No. _____ dated _____, _____ in the amount of \$ _____ established by you in our favor for the account of _____.

We hereby certify to you that Beneficiary received notice that the Letter of Credit will be terminated. We further certify that Market Participant Applicant has failed to replace the Letter of Credit in a manner acceptable to Beneficiary and/or provide Beneficiary with other acceptable replacement collateral in accordance with the ERCOT Protocols.

DATED: _____, _____.

Texas Electric Market Stabilization Funding M LLC

By: _____

Title: _____

**IRREVOCABLE AND UNCONDITIONAL
STANDBY LETTER OF CREDIT**

**Irrevocable and Unconditional Standby
Letter of Credit No.** _____

“Amount”: _____ U.S. Dollars

“Date of Issuance”: _____

“Expiration of Initial Term (subject to automatic extension and renewal as provided herein)”:

“Market Participant Applicant”:

[Name]

[Address]

“Issuer”:

[Name] _____

[Address] _____

[Phone] _____

[Fax] _____

“Beneficiary”:

Electric Reliability Council of Texas, Inc. (“ERCOT”)

Attn: Credit

7620 Metro Center Drive

Austin, Texas 78744

Facsimile No. (512) 225-7020

To Beneficiary:

At the request of and on behalf of Market Participant Applicant, the undersigned Issuer hereby establishes and issues in your favor, effective immediately, an Irrevocable and Unconditional Standby Letter of Credit No. _____ (**“Letter of Credit”**) in the amount of _____ U.S. Dollars.

This Letter of Credit is available for payment upon your demand at sight presented at our counters by hand delivery of courier located at: _____, to the attention of _____ telephone _____, or upon demand by fax at _____ against presentation to us of the following: (i) your written demand for payment containing the text of Exhibit I attached hereto, and (ii) your statement containing the text of Exhibit II, Exhibit IV, Exhibit V, or Exhibit VI attached hereto. If presentation is made by facsimile, original documents will be delivered to us at the address stated above.

Funds may be drawn under this Letter of Credit, from time to time, in one or more drawings, in amounts not exceeding in the aggregate the Amount specified above. Partial drawings shall reduce the Amount thereafter available for drawing under this Letter of Credit.

Upon presentation to us in conformity with the foregoing, we will, not later than the close of business on our next local banking day after presentation, but without any other delay whatsoever, irrevocably and without reserve or condition issue payment instructions to the Federal Reserve wire transfer system in proper form to transfer to the account at the bank designated by you in the demand, the full amount demanded by you in the same-day funds which are immediately available to you up to the Amount of this Letter of Credit.

Payment hereunder shall be made regardless of: (a) any written or oral direction, request, notice or other communication now or hereafter received by us from the Market Participant Applicant or any other person except you, including without limitation any communication regarding fraud, forgery, lack of authority or other defect not apparent on the face of the documents presented by you, but excluding solely an effective written order issued, other than at our instance, by a court of competent jurisdiction which order is legally binding upon us and specifically orders us not to make such payment; (b) the solvency, existence or condition, financial or other, of the Market Participant Applicant or any other person or property from whom or which we may be entitled to reimbursement for such payment; and (c) without limiting clause (b) above, whether we are in receipt of or expect to receive funds or other property as reimbursement in whole or in part for such payment. We agree that we will not take any action to cause the issuance of an order described in clause (a) of the preceding sentence.

We further agree that the time set forth herein for payment of any demand(s) for payment is sufficient to enable us to examine such demand(s) and the related documents(s) referred to above with care so as to ascertain that on their face they appear to comply with the terms of this Letter of Credit and that if such demand(s) and document(s) on their face appear to so comply, failure to make any such payment within such time shall constitute dishonor of such demand(s) and this Letter of Credit.

Except as stated herein, payment is not subject to any condition or qualification. The only documents required to be presented for payment are Exhibit I and one of the following: Exhibit II, Exhibit IV, Exhibit V, or Exhibit VI. Our obligation under this Letter of Credit shall be our individual obligation and in no way is contingent upon reimbursement with respect thereto.

The stated Amount of this Letter of Credit may be increased or decreased by an amendment to this Letter of Credit in the form of Exhibit III executed by you and us. This Letter of Credit may not otherwise be amended or modified without your written agreement. Any such amendment shall become effective only upon acceptance by your signature on a hard copy amendment.

You shall not be bound by any written or oral agreement of any type between us and the Market Participant Applicant or any other person relating to this Letter of Credit, whether now or hereafter existing.

We hereby agree, warrant, and represent that your demand(s) for payment in conformity with the terms of this Letter of Credit will be duly honored as set forth above. All fees, charges, and/or other costs associated with the issuance of and any drawing(s) against this Letter of Credit shall be for the account of and paid by the Market Participant Applicant. All of the rights of Beneficiary set forth herein shall inure to the benefit of Beneficiary's successors and assigns. In this connection, in the event of a drawing made by a party other than Beneficiary, such drawing must be accompanied by the following signed certification:

The undersigned does hereby certify that _____ **[Drawer]** is the successor by operation of law to ERCOT, a beneficiary named in

_____ [Name of Issuer] Letter of Credit No. _____ and we
attach herewith copies of official documents proving our legal status as successor.

[Name and Title]

The initial term of this Letter of Credit shall be one year from the Date of Issuance. It is a condition of this Letter of Credit that it shall be automatically extended without amendment for one (1) additional calendar year after the initial term, or one (1) additional calendar year after any extended term, unless at least sixty (60) days prior to the expiration of the initial term or sixty (60) days prior to the expiration of any extended term we notify Beneficiary by certified mail, return receipt requested (receipt effective upon scheduled weekday delivery day) or facsimile (receipt effective upon receipt of evidence, including facsimile evidence, that the facsimile was actually received) or overnight courier to the address/facsimile number for Beneficiary set forth above that we elect not to extend this Letter of Credit which notice shall contain the following statement:

_____ [Name of Issuer] hereby notifies you that Irrevocable and Unconditional Standby Letter of Credit No. _____ (“**Letter of Credit**”) in the remaining amount of _____ U.S. Dollars dated _____ issued by _____ [Name of Issuer] in your favor for the account of _____ [Name of Market Participant Applicant] will not be extended and will expire on _____.

In the event that we timely send notice to you in writing that we elect not to extend this Letter of Credit, you may at any time within the thirty (30) days before the expiration date demand payment of the remaining balance of this Letter of Credit upon presentation of (a) your written demand for payment containing the text of Exhibit I attached hereto, and (b) your statement containing the text of Exhibit IV attached hereto. The demand rights in this paragraph are in addition to any other rights under this Letter of Credit.

It is a condition of this Letter of Credit that we shall maintain a corporate debt rating not less than that required by the ERCOT Protocols. In the event that we do not maintain the minimum corporate debt rating required by the ERCOT Protocols, you may demand payment of the remaining balance of this Letter of Credit upon presentation of (a) your written demand for payment containing the text of Exhibit I attached hereto, and (b) your statement containing the text of Exhibit V attached hereto. The demand rights in this paragraph are in addition to any other rights under this Letter of Credit.

This Letter of Credit may be terminated by us on sixty (60) days written notice by sending Beneficiary notification by certified mail, return receipt requested (receipt effective upon scheduled weekday delivery day) or facsimile (receipt effective upon receipt of evidence, including facsimile evidence, that the facsimile was actually received) or courier to the address/facsimile number for Beneficiary set forth above that we elect to terminate this Letter of Credit which notice shall contain the following statement:

_____ [Name of Issuer] hereby notifies you that Irrevocable and Unconditional Standby Letter of Credit No. _____ (“**Letter of Credit**”) in the remaining amount of _____ U.S. Dollars dated _____ issued by _____ [Name of Issuer] in your favor for the account of _____ [Name of Market Participant Applicant] will terminate sixty (60) days following our sending this Notice of Termination.

In the event that we send notice to you in writing that we elect to terminate this Letter of Credit, you may at any time within the thirty (30) days before the termination date demand payment of the remaining balance under this Letter of Credit upon presentation of (a) your written demand for payment containing the text of Exhibit I attached hereto, and (b) your statement containing the text of Exhibit VI attached hereto. The demand rights in this paragraph are in addition to any other rights under this Letter of Credit.

Notwithstanding our ability to terminate this Letter of Credit on the terms set forth above, this Letter of Credit is otherwise irrevocable and unconditional.

This Letter of Credit may not be assigned or transferred by us.

The Beneficiary shall not be deemed to have waived any rights under this Letter of Credit, unless the Beneficiary shall have signed a written waiver. No such waiver, unless expressly so stated therein, shall be effective as to any transaction that occurs subsequent to the date of the waiver, nor as to any continuance of a breach after the waiver.

We agree that if, on the expiration or termination date of this Letter of Credit, our counters specified above are not open for business for any reason whatsoever (including without limitation an event under Rule 3.14 of the ISP), drawings under this Letter of Credit will be duly honored if the specified complying documents are presented by you within thirty (30) full banking days after such counters are reopened for business.

Except so far as otherwise stated herein, this Letter of Credit shall be subject to and governed by the International Standby Practices Publication No. 590 of the International Chamber of Commerce, including any amendments, modifications or revisions thereof (the "ISP"), in effect on the date of issuance of this Letter of Credit. This Letter of Credit shall also be governed by the laws of the State of Texas to the extent that the terms of the ISP are not applicable; provided that, in the event of any conflict between the ISP and Texas law, the ISP shall control. To the extent the terms of this Letter of Credit are inconsistent with the provisions of the ISP and/or Texas law, the terms of this Letter of Credit shall govern.

Yours faithfully,

ISSUER

(Name of Issuer)

By: _____

Title: _____

By: _____

Title: _____

EXHIBIT I

DEMAND FOR PAYMENT

Re: Irrevocable and Unconditional Standby Letter of Credit

No. _____ Dated: _____, _____

To Whom It May Concern:

Demand is hereby made upon you for payment to us of \$_____ by deposit to our account no. _____ at _____ [Name of Issuer]. This demand is made under, and is subject to and governed by, your Irrevocable and Unconditional Standby Letter of Credit No. _____ dated _____, _____ in the amount of \$_____ established by you in our favor for the account of _____ as the Market Participant Applicant.

Wiring instructions for our account are as follows:

DATED: _____, _____.

Electric Reliability Council of Texas, Inc.

By: _____

Title: _____

EXHIBIT II

STATEMENT OF AMOUNT DUE

Re: Irrevocable and Unconditional Standby Letter of Credit
No. _____ Dated: _____, _____

To Whom It May Concern:

Reference is made to your Irrevocable and Unconditional Standby Letter of Credit No. _____ dated _____, _____ in the amount of \$ _____ established by you in our favor for the account of _____.

We hereby certify to you that \$ _____ is due and owing to us by the Market Participant Applicant, under and in accordance with the ERCOT Protocols.

DATED: _____, _____.

Electric Reliability Council of Texas, Inc.

By: _____

Title: _____

EXHIBIT III
AMENDMENT

Re: Irrevocable and Unconditional Standby Letter of Credit

No. _____

Dated: _____

Beneficiary:

Market Participant Applicant:

Electric Reliability Council of Texas, Inc. (ERCOT)
7620 Metro Center Drive
Austin, Texas 78744
Attn: Credit

[Name and Address]

To Whom It May Concern:

The above referenced Irrevocable and Unconditional Standby Letter of Credit is hereby amended as follows: by increasing / decreasing / leaving unchanged (*strike two*) the stated amount by \$ _____ to a new stated amount of \$ _____. All other terms and conditions of the Irrevocable and Unconditional Letter of Credit remain unchanged.

This amendment is effective only when accepted by Beneficiary, which acceptance may only be valid by a signature of an authorized representative.

Dated: _____

Yours faithfully,

[Name of Issuer]

By: _____

Title: _____

ACCEPTED:

Electric Reliability Council of Texas, Inc.

By: _____

Title: _____

Date: _____

EXHIBIT IV

STATEMENT REGARDING ISSUER'S NONRENEWAL

Re: Irrevocable and Unconditional Standby Letter of Credit
No. _____ Dated: _____, _____

To Whom It May Concern:

Reference is made to your Irrevocable and Unconditional Standby Letter of Credit No. _____ dated _____, _____ in the amount of \$ _____ established by you in our favor for the account of _____.

We hereby certify to you that Beneficiary has not received an extension or replacement of said Letter of Credit and/or other acceptable replacement collateral from Market Participant Applicant in accordance with the ERCOT Protocols.

DATED: _____, _____.

Electric Reliability Council of Texas, Inc.

By: _____

Title: _____

EXHIBIT V

STATEMENT REGARDING ISSUER RATING

Re: Irrevocable and Unconditional Standby Letter of Credit
No. _____ Dated: _____, _____

To Whom It May Concern:

Reference is made to your Irrevocable and Unconditional Standby Letter of Credit No. _____ dated _____, _____ in the amount of \$ _____ established by you in our favor for the account of _____.

We hereby certify to you that the Issuer has not maintained a corporate debt rating required by the ERCOT Protocols and Market Participant Applicant has failed to replace the Letter of Credit in a manner acceptable to Beneficiary and/or provide other acceptable replacement collateral from Market Participant Applicant in accordance with the ERCOT Protocols.

DATED: _____, _____.

Electric Reliability Council of Texas, Inc.

By: _____

Title: _____

EXHIBIT VI

STATEMENT REGARDING TERMINATION

Re: Irrevocable and Unconditional Standby Letter of Credit
No. _____ Dated: _____, _____

To Whom It May Concern:

Reference is made to your Irrevocable and Unconditional Standby Letter of Credit No. _____ dated _____, _____ in the amount of \$ _____ established by you in our favor for the account of _____.

We hereby certify to you that Beneficiary received notice that the Letter of Credit will be terminated. We further certify that Market Participant Applicant has failed to replace the Letter of Credit in a manner acceptable to Beneficiary and/or provide Beneficiary with other acceptable replacement collateral in accordance with the ERCOT Protocols.

DATED: _____, _____.

Electric Reliability Council of Texas, Inc.

By: _____

Title: _____