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| NPRR Number | [1123](https://www.ercot.com/mktrules/issues/NPRR1123) | NPRR Title | Clarifications for PURA Subchapter N Securitization Uplift Charges |
| Date of Decision | April 28, 2022 |
| Action | Recommended Approval |
| Timeline  | Urgent – so that Securitization Uplift Charge escrow deposits are required for new market entrants that may not otherwise be assessed prior to invoicing. |
| Proposed Effective Date | June 1, 2022 |
| Priority and Rank Assigned | Not applicable |
| Nodal Protocol Sections Requiring Revision  | 27.2.1 Return of Securitization Proceeds (new)27.5.3, Means of Satisfying Securitization Uplift Charge Initial Invoice Credit Requirements (new)27.5.4, Determination of Securitization Uplift Charge Credit Exposure for a Counter-Party (new) |
| Related Documents Requiring Revision/Related Revision Requests | NPRR1114 |
| Revision Description | This NPRR provides for initial assessment of Securitization Uplift Charge escrow deposits based on Counter-Party initial estimated Adjusted Meter Load. In addition, the NPRR clarifies that funds provided for Securitization Uplift Charge escrow deposits must be sent to the correct account to be properly credited, and also provides a process for return of securitization proceeds if required by statute or the Debt Obligation Order (DOO) in Public Utility Commission of Texas (PUCT) Docket No. 52322, Application of Electric Reliability Council of Texas, Inc. for a Debt Obligation Order to Finance Uplift Balances Under PURA Chapter 39, Subchapter N, and for a Good Cause Exception.  |
| Reason for Revision |  Addresses current operational issues. Meets Strategic goals (tied to the [ERCOT Strategic Plan](http://www.ercot.com/content/wcm/lists/144926/ERCOT_Strategic_Plan_2019-2023.pdf) or directed by the ERCOT Board). Market efficiencies or enhancements Administrative Regulatory requirements Other: (explain)*(please select all that apply)* |
| Business Case | Since the calculation of Securitization Uplift Charge escrow deposits is done monthly, and Securitization Uplift Charge Initial Invoices are based on Initial Settlement data, there could be instances where a Load Serving Entity (LSE) could be invoiced based on its Adjusted Meter Load (AML) prior to being assessed an escrow deposit requirement. This NPRR eliminates this potential gap by providing for the use of an estimated AML for up to 40 days after a Counter-Party becomes active. In addition, this NPRR clarifies that Counter-Parties must remit Securitization Uplift Charge escrow deposit funds to the correct account, and that ERCOT will not be responsible for transferring funds that have been remitted to the wrong account.Finally, this NPRR adds a process for LSEs and Qualified Scheduling Entities (QSEs) to follow if an LSE is required to return securitization proceeds. |
| Credit Work Group Review | See 3/15/22 Credit WG Comments |
| PRS Decision | On 3/9/22, PRS unanimously voted via roll call to grant NPRR1123 Urgent status; to recommend approval of NPRR1123 as revised by PRS; and to forward to TAC NPRR1123 and the Impact Analysis. All Market Segments participated in the vote. |
| Summary of PRS Discussion | On 3/9/22, ERCOT Staff provided an overview of NPRR1123 and participants revised the NPRR title to better map to the related PURA Subchapter. |
| TAC Decision | On 3/30/22, TAC unanimously voted via roll call to recommend approval of NPRR1123 as recommended by PRS in the 3/9/22 PRS Report; and the Revised Impact Analysis. All Market Segments participated in the vote. |
| Summary of TAC Discussion | On 3/30/22, there was no discussion |
| ERCOT Opinion | ERCOT supports approval of NPRR1123. |
| ERCOT Market Impact Statement | ERCOT Staff has reviewed NPRR1123 and believes the market impact for NPRR1123 clarifies processes to assess and collect Uplift Charges to QSEs representing LSEs as reflected in the DOO issued in PUCT Docket No. 52322, Subchapter N, of PURA. |
| ERCOT Board Decision | On 4/28/22, the ERCOT Board unanimously voted to recommend approval of NPRR1123 as recommended by TAC in the 3/30/22 TAC Report. |

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| Market Segment | Not applicable |

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| **Comments Received** |
| Comment Author | **Comment Summary** |
| Credit WG 031522 | Noted NPRR1123 will have positive credit implications |

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| Market Rules Notes |

Please note the baseline Protocol language in the following section(s) has been updated to reflect the incorporation of the following NPRR(s) into the Protocols:

* NPRR1114 (incorporated 4/1/22)
	+ Section 27.5.3
	+ Section 27.5.4

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| Proposed Protocol Language Revision |

27.2.1 Return of Securitization Proceeds

(1) If an LSE is required under PURA § 39.664 or the Debt Obligation Order in Docket No. 52322 to return securitization proceeds, then the LSE must remit the proceeds to its QSE, and the QSE shall remit those funds to ERCOT within two Business Days of the QSE receiving the funds from the LSE. The funds must be paid by the QSE to the account designated for payment of Securitization Uplift Charge Invoices.

27.5.3 Means of Satisfying Securitization Uplift Charge Initial Invoice Credit Requirements

(1) If a Counter-Party is required to provide a Securitization Uplift 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 N LLC (TEMSFN) as the beneficiary. ERCOT or the TEMSFN may reject the letter of credit if the issuer is unacceptable to ERCOT or the TEMSFN or if the conditions under which ERCOT or TEMSFN may draw against the letter of credit are unacceptable to ERCOT or TEMSFN.

(b) All letters of credit must be drawn on a U.S. 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 Requirements.

(c) Letters of credit held as Securitization Uplift 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 TEMSFN through 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 Uplift 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 balances. Interest is not paid on cash deposit balances held by TEMSFN 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 Uplift 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 Uplift Charge escrow deposits are held solely for the purpose of collateralizing Securitization Uplift Charge Credit Exposure and shall not be used for any other purpose. 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 26, Securitization Default Charges.

(3) Funds provided for Securitization Uplift Charge escrow deposits must be made to the account designated for Securitization Uplift Charge escrow deposits. If a payment is not made to the correct account, ERCOT is not responsible for transferring the funds to the correct escrow deposit account. Failure to remit funds to the correct account by the date and time required will result in a Late Payment and/or Payment breach.

(4) A Counter-Party with excess cash with respect to Securitization Uplift Charge escrow deposit requirements may request ERCOT to return some or all of the excess cash to the Counter-Party.

(5) Securitization Uplift Charge escrow deposits will not be used to pay periodic Securitization Uplift Charge Initial Invoices unless there is an insufficient payment by the Invoice Recipient, in accordance with Section 27.4.4, Insufficient Payments by Invoice Recipients for Securitization Uplift Charge Initial Invoices.

(6) Cash collateral posted in accordance with Section 16.11.3 may be used to pay Securitization Uplift Charge Reallocation Invoices.

(7) Securitization Uplift Charge escrow deposits in excess of the Securitization Uplift Charge Credit Exposure requirement shall not be used to cover insufficient payments of Settlement Invoices for:

(a) ERCOT market activities under Section 9.19, Partial Payments by Invoice Recipients;

(b) 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;

(c) Insufficient payments of Securitization Default Charge Invoices under Section 26.3.1.2, Insufficient Payments by Miscellaneous Invoice Recipients for Securitization Default Charges: or

(d) Requests for Securitization Default Charge Escrow Deposits under Section 26.5, Securitization Default Charge Escrow Deposit Requirements.

27.5.4 Determination of Securitization Uplift Charge Credit Exposure for a Counter-Party

(1) For each Counter-Party, ERCOT shall calculate the Securitization Uplift Charge Credit Exposure for Securitization Uplift Charge Initial Invoices as follows:

LASUCCE *cp* = $\sum\_{fmu=1}^{nfmu}($Max (CPMQSELSELRS *cp, om, las,* CPIEMLSELRS *cp* up to 40 days after the operating month in which a non-opted-out Counter-Party LSE commences having Real-Time Adjusted Metered Load)\* MTSUCDA *fmu*)

CPMQSELSELRS *cp, om* *, las* = $\sum\_{q}^{}($MQSELSELRS *q, om*)

CPIEMLSELRS *cp*= CPIEMLSE *cp* / (MERCOTQSELSERTAML *om* + CPIEMLSE *cp*)

MQSELSELRS *q, om* = MQSELSERTAML *q, om* / MERCOTQSELSERTAML *om*

MQSELSERTAML *q, om* = $\sum\_{d}^{}($DQSELSERTAML *q, d*)

MERCOTQSELSERTAML *om* = $\sum\_{q, d}^{ }($DQSELSERTAML *q, d*)

The above variables are defined as follows:

| Variable | Unit | Description |
| --- | --- | --- |
| LASUCCE *cp* | $ | *Load-Allocated Securitization Uplift Charge Credit Exposure –* Estimated forward exposure representing unbilled Securitization Uplift Charge Initial Invoices for Counter-Party *cp* for *nfmu* months. |
| CPMQSELSELRS *cp, om* *, las* | none | *Counter-Party Monthly QSE Non-Opted-Out LSE Load Ratio Share —* MQSELSELRS for all the QSEs represented by the Counter-Party *cp* representing the daily ratios of Adjusted Metered Load (AML) to the total AML, excluding the AML for Securitization Uplift Charge Opt-Out Entities and Direct Current Tie (DC Tie) exports, for a QSE, for all the Operating Days *d* in the operating month *om* for the Settlement Type *las*.  |
| CPIEMLSE *cp* | MWh | *Counter-Party Initial Estimated Monthly Non-Opted-Out LSE Load —* The average estimated load for a full month provided by a non-opted-out Counter-Party *cp* that does not yet have Adjusted Metered Load |
| CPIEMLSELRS *cp* | none | *Counter-Party Initial Estimated Monthly Non-Opted-Out LSE Load Ratio Share —* The Load Ratio Share for a Counter-Party *cp* that does not yet have Adjusted Metered Load, computed using CPIEMLSE. |
| MTSUCDA | $ | *Monthly Total of Securitization Uplift Charge Daily Amounts* – The monthly sum of the amounts to be uplifted for all the Operating Days *od* in operating month *om*.  |
| DQSELSERTAML *q, d* | MWh | *Daily QSE Non-Opted-Out LSE Real-Time Adjusted Metered Load* — The Real-Time Adjusted Metered Load (RTAML) excluding the RTAML for Securitization Uplift Charge Opt-Out Entities and DC Tie exports, for a QSE *q*, for the Operating Day *d*. |
| MQSELSELRS *q, om* | none | *Monthly QSE Non-Opted-Out LSE Load Ratio Share —* The ratio of AML to the total AML, excluding the AML for Securitization Uplift Charge Opt-Out Entities and DC Tie exports, for a QSE *q*, for all the Operating Days *d* in the operating month *om.* |
| MQSELSERTAML *q, om* | MWh | *Monthly QSE Non-Opted-Out LSE Real-Time Adjusted Metered Load* — The Real-Time Adjusted Metered Load (RTAML) excluding the RTAML for Securitization Uplift Charge Opt-Out Entities and DC Tie exports, for a QSE *q*, for all the Operating Days *d* in the operating month *om.* |
| MERCOTQSELSERTAML *om* | MWh | *Monthly ERCOT QSE Non-Opted-Out LSE Real-Time Adjusted Metered Load* — The ERCOT total Real-Time Adjusted Metered Load (RTAML) excluding the RTAML for Securitization Uplift Charge Opt-Out Entities and DC Tie exports, for all the Operating Days *d* in the operating month *om.* |
| *cp* | none | A registered Counter-Party |
| *om* | none | *Operating Month* - The most recent month for which all the daily ratios of Adjusted Metered Load to the total Adjusted Metered Load, excluding the Adjusted Metered Load for Securitization Uplift Charge Opt-Out Entities and DC Tie exports, for a QSE are available for all days of the month. |
| *fmu* | none | *Forward Month –* A month from Securitization Uplift Charge forward months |
| *nfmu* | none | *Number of forward months* – Total number of forward months Monthly Securitization Uplift Charge is extrapolated |
| *d* | none | An Operating Day |

The above parameters are defined as follows:

| Parameter | Unit | Current Value |
| --- | --- | --- |
| *nfmu* | Months | 2 |
| *las* | Settlement Type | Load-Allocated Initial Settlements |