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| NPRR Number | [1125](https://www.ercot.com/mktrules/issues/NPRR1125) | NPRR Title | Use of Financial Security for Securitization Default Charge and Securitization Uplift Charge Invoices and Escrow Deposit Requests |
| Date of Decision | | April 28, 2022 | |
| Action | | Recommended Approval | |
| Timeline | | Urgent – to ensure that these provisions are clarified prior to funding of Public Utility Regulatory Act (PURA) Subchapter N Securitization Uplift Charges. | |
| Proposed Effective Date | | June 1, 2022 | |
| Priority and Rank Assigned | | Not applicable | |
| Nodal Protocol Sections Requiring Revision | | 16.11.1, ERCOT Creditworthiness Requirements for Counter-Parties  26.3.1.2, Insufficient Payments by Miscellaneous Invoice Recipients for Securitization Default Charges  26.5.5, Monitoring of a Counter-Party’s Securitization Default Charge Credit Exposure by ERCOT  27.4.4, Insufficient Payments by Invoice Recipients for Securitization Uplift Charge Initial Invoices  27.5.5, Monitoring of a Counter-Party’s Securitization Uplift Charge Credit Exposure by ERCOT | |
| Related Documents Requiring Revision/Related Revision Requests | | None | |
| Revision Description | | This Nodal Protocol Revision Request (NPRR) clarifies that in the event of a Payment Default with respect to either PURA Subchapter M Securitization Default Charges, or PURA Subchapter N Securitization Uplift Charges, ERCOT may utilize available Financial Security held with respect to other ERCOT market activities.  In the event of concurrent Payment Defaults for either Invoices or escrow deposit requests, this NPRR also specifies the prioritization for the application of Financial Security to these defaults. | |
| 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 | | This NPRR is intended to bring clarity to Market Participants, the Public Utility Commission of Texas (PUCT), and external parties such as ratings agencies, underwriters and bondholders, as to how ERCOT, as servicer for securitization debt, may utilize Financial Security in the event of securitization Payment Defaults. This clarity is critical to promoting understanding of the underlying credit structure supporting securitized obligations. | |
| Credit Work Group Review | | See 4/12/22 Credit WG comments | |
| PRS Decision | | On 4/6/22, PRS voted via roll call to grant NPRR1125 Urgent status and to recommend approval of NPRR1125 as submitted and to forward to TAC NPRR1125 and the Impact Analysis. There was one opposing vote from the Consumer (Dual Drive Technologies) Market Segment and two abstentions from the Cooperative (Fayette Electric Cooperative) and Municipal (Kerrville Public Utility Board) Market Segments. All Market Segments participated in both votes. | |
| Summary of PRS Discussion | | On 4/6/22, there was no discussion. | |
| TAC Decision | | On 4/13/22, TAC voted via roll call to recommend approval of NPRR1125 as recommended by PRS in the 4/6/22 PRS Report. There was one abstention from the Independent Generator (Luminant) Market Segment. All Market Segments participated in the vote. | |
| Summary of TAC Discussion | | On 4/13/22, there was no discussion. | |
| ERCOT Opinion | | ERCOT supports approval of NPRR1125. | |
| ERCOT Market Impact Statement | | ERCOT Staff has reviewed NPRR1125 and believes the market impact for NPRR1125 clarifies how ERCOT, as servicer for securitization debt, may utilize Financial Security in the event of securitization Payment Defaults. | |
| ERCOT Board Decision | | On 4/28/22, the ERCOT Board unanimously voted to recommend approval of NPRR1125 as recommended by TAC in the 4/13/22 TAC Report. | |

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| Sponsor | |
| Name | Mark Ruane |
| E-mail Address | [mruane@ercot.com](mailto:mruane@ercot.com) |
| Company | ERCOT |
| Phone Number | 512-248-6534 |
| Cell Number |  |
| Market Segment | Not applicable |

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| **Market Rules Staff Contact** | |
| **Name** | Cory Phillips |
| **E-Mail Address** | [cory.phillips@ercot.com](mailto:cory.phillips@ercot.com) |
| **Phone Number** | 512-248-6464 |
| **Comments Received** | |
| **Comment Author** | **Comment Summary** |
| Credit WG 041222 | Noted NPRR1125 will not require changes to the credit calculations, but will provide positive credit impacts.  The general / financial security helps to cover securitization short payments in addition to regular Invoice short payments. |

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| Market Rules Notes |

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

* NPRR1114, Securitization – PURA Subchapter N Uplift Charges
  + Section 27.4.4
  + Section 27.5.5

Please note that the following NPRRs also propose revisions to the following sections:

* NPRR1067, Market Entry Qualifications, Continued Participation Requirements, and Credit Risk Assessment
  + Section 16.11.1
* NPRR1112, Reduction of Unsecured Credit Limits
  + Section 16.11.1

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| Proposed Protocol Language Revision |

16.11.1 ERCOT Creditworthiness Requirements for Counter-Parties

(1) Each Counter-Party shall meet ERCOT’s creditworthiness standards as provided in this Section. A Counter-Party must, at all times, maintain its Financial Security at or above the amount of its Total Potential Exposure (TPE) minus its Unsecured Credit Limit. Each Counter-Party shall maintain any required Financial Security in a form acceptable to ERCOT in its sole discretion. If at any time the Counter-Party does not meet ERCOT’s creditworthiness requirements, then ERCOT may suspend the Counter-Party’s rights under these Protocols until it meets those creditworthiness requirements. ERCOT’s failure to suspend the 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 (QSE’s) ability to bid in the Day-Ahead Market (DAM).

(2) Notwithstanding the provisions in paragraph (1) above, ERCOT may draw on Financial Security if necessary to pay short-pays of miscellaneous Invoices for Securitization Default Charges or Securitization Uplift Charge Initial Invoices if the respective escrow deposits are insufficient to cover the short-pays.

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| ***[NPRR1125: Replace paragraph (2) above with the following upon system implementation of NPRR1103:]***  (2) Notwithstanding the provisions in paragraph (1) above, ERCOT may draw on Financial Security if necessary to pay short-pays of Securitization Default Charge Invoices or Securitization Uplift Charge Initial Invoices if the respective escrow deposits are insufficient to cover the short-pays. |

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) If available Securitization Default Charge escrow deposits are insufficient to cover the short-paid amount, ERCOT may utilize Financial Security held with respect to other ERCOT market activities as determined under Section 16.11.4, Determination and Monitoring of Counter-Party Credit Exposure. ERCOT may not utilize Securitization Uplift Charge escrow deposits to cover short-pays of miscellaneous Invoices for Securitization Default Charges.

(c) In the event that an Invoice Recipient short-pays:

(i) Both a miscellaneous Invoice for Securitization Default Charges and a Securitization Uplift Charge Initial Invoice; or

(ii) One or both of the above securitization Invoices as well as any other ERCOT Invoice;

and it is necessary to utilize Financial Security held with respect to other ERCOT market activities, funds drawn from Financial Security will be allocated first to cover short-pays of Invoices for non-securitization activity. Any remaining Financial Security will be allocated pro rata on the basis of unpaid Invoice amounts to Securitization Uplift Charge Initial Invoices and miscellaneous Invoices for Securitization Default Charges.

(d) Regardless of whether ERCOT’s draw on an available Securitization Default Charge escrow deposit or other Financial Security under paragraphs (a) through (c) 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.

(e) 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, available Financial Security held with respect to other ERCOT market activities, 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 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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| ***[NPRR1103: Replace 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) If available Securitization Default Charge escrow deposits are insufficient to cover the short-paid amount, ERCOT will utilize Financial Security held with respect to other ERCOT market activities as determined in Section 16.11.4, Determination and Monitoring of Counter-Party Credit Exposure. ERCOT may not utilize Securitization Uplift Charge escrow deposits to cover short-pays of Securitization Default Charges.  (c) In the event that an Invoice Recipient short-pays:  (i) Both a Securitization Default Charge Invoice and a Securitization Uplift Charge Initial Invoice, or;  (ii) One or both of the above securitization Invoices as well as any other ERCOT Invoice,  and it is necessary to utilize Financial Security held with respect to other ERCOT market activities, funds drawn from Financial Security will be allocated first to cover short-pays of Invoices for non-securitization activity. Any remaining Financial Security will be allocated pro rata on the basis of unpaid Invoice amounts to Securitization Uplift Charge Initial Invoices and Securitization Default Charge Invoices.  (d) Regardless of whether ERCOT’s draw on available Securitization Default Charge escrow deposits or other Financial Security under paragraphs (a) through (c) 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, available Financial Security held with respect to other ERCOT market activities, 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. |

***26.5.5 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, Determination of Securitization Default Charge Credit Exposure for a Counter-Party, 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 second 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 second 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) If the Counter-Party does not increase its Securitization Default Charge escrow deposit to the required amount by the specified time, ERCOT may utilize Financial Security held with respect to other ERCOT market activities as determined under Section 16.11.4, Determination and Monitoring of Counter-Party Credit Exposure, up to the amount of the Securitization Default Charge escrow deposit shortfall.

(c) In the event that a Counter-Party is required to increase both its Securitization Default Charge escrow deposit and its Securitzation Uplift Charge escrow deposit, and ERCOT utilizesthe Counter-Party’s Financial Security, available Financial Security funds will be allocated on a pro rata basis to Securitization Uplift Charge and Securitization Default Charge escrow deposit requirements.

(d) ERCOT shall notify the Qualified Scheduling Entity’s (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.

(e) 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.

***27.4.4 Insufficient Payments by Invoice Recipients for Securitization Uplift Charge Initial Invoices***

(1) If at least one Invoice Recipient owing funds does not pay its Securitization Uplift Charge Initial Invoice in full (short-pay) by the payment due date and time set forth in Section 27.4.1, Securitization Uplift Charge Initial Invoices, ERCOT shall follow the procedure set forth below:

(a) ERCOT shall draw on any available Securitization Uplift Charge escrow deposit of the short-paying Securitization Uplift Charge Initial Invoice Recipient.

(b) If available Securitization Uplift Charge escrow deposits are insufficient to cover the short-pay amount, ERCOT may utilitze Financial Security held with respect to other ERCOT market activities as determined under Section 16.11.4. ERCOT may not utilize Securitization Default Charge escrow deposits to cover short-pays of Securitization Uplfit Charge Initial Invoices.

(c) In the event that an Invoice Recipient short-pays:

(i) Both a miscellaneous Invoice for Securitization Default Charges and a Securitization Uplift Charge Initial Invoice; or

(ii) One or both of the above securitization Invoices as well as any other ERCOT Invoice,

and it is necessary to utilize Financial Security held with respect to other ERCOT market activities, funds drawn from Financial Security will be allocated first to cover short-pays of Invoices for non-securitization activity. Any remaining Financial Security will be allocated pro rata on the basis of unpaid Inovice amounts to Securitization Uplift Charge Initial Invoices and miscellaneous Invoices for Securitization Default Charges.

(d) Regardless of whether ERCOT’s draw on an available Securitization Uplift Charge escrow deposits or other Financial Security under paragraphs (a)-(c) above is sufficient to cover the amount owed by a Market Participant for an Initial Invoice for Securitization Uplift Charges, a Market Participant’s failure to pay the Initial Invoice by the payment due date and time will still be deemed a Late Payment and Payment Breach under Section 16.11.6, Payment Breach and Late Payments by Market Participants.

(e) If an amount owed to ERCOT for an Initial Invoice for Securitization Uplift Charges cannot be fully recovered from a short-paying Market Participant by drawing upon available Securitization Uplift 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 Securitization Uplift Charge Daily Amount performed pursuant to paragraph (2) of Section 27.3, Securitization Uplift Charge, that occurs after the short payment.

(f) 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 its obligation to fully pay all Initial Invoices for Securitization Uplift Charges.

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| ***[NPRR1125: Replace paragraph (1) above with the following upon system implementation of NPRR1103:]***  (1) If at least one Invoice Recipient owing funds does not pay its Securitization Uplift Charge Initial Invoice in full (short-pay) by the payment due date and time set forth in Section 27.4.1, Securitization Uplift Charge Initial Invoices, ERCOT shall follow the procedure set forth below:  (a) ERCOT shall draw on any available Securitization Uplift Charge escrow deposit of the short-paying Securitization Uplift Charge Initial Invoice Recipient.  (b) If available Securitization Uplift Charge escrow deposits are insufficient to cover the short-pay amount, ERCOT may utilitze Financial Security held with respect to other ERCOT market activities as determined under Section 16.11.4, Determination and Monitoring of Counter-Party Credit Exposure. ERCOT may not utilize Securitization Default Charge escrow deposits to cover short-pays of Securitization Uplfit Charge Initial Invoices.  (c) In the event that an Invoice Recipient short-pays:  (i) Both a Securitization Default Charge Invoice and a Securitization Uplift Charge Initial Invoice; or  (ii) One or both of the above securitization Invoices as well as any other ERCOT Invoice,  and it is necessary to utilize Financial Security held with respect to other ERCOT market activities, funds drawn from Financial Security will be allocated first to cover short-pays of Invoices for non-securitization activity. Any remaining Financial Security will be allocated pro rata on the basis of unpaid Invoice amounts to Securitization Uplift Charge Initial Invoices and Securitization Default Charge Invoices.  (d) Regardless of whether ERCOT’s draw on an available Securitization Uplift Charge escrow deposits or other Financial Security under paragraphs (a)-(c) above is sufficient to cover the amount owed by a Market Participant for an Initial Invoice for Securitization Uplift Charges, a Market Participant’s failure to pay the Initial Invoice by the payment due date and time will still be deemed a Late Payment and Payment Breach under Section 16.11.6, Payment Breach and Late Payments by Market Participants.  (e) If an amount owed to ERCOT for an Initial Invoice for Securitization Uplift Charges cannot be fully recovered from a short-paying Market Participant by drawing upon available Securitization Uplift 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 Securitization Uplift Charge Daily Amount performed pursuant to paragraph (2) of Section 27.3 that occurs after the short payment.  (f) 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 its obligation to fully pay all Initial Invoices for Securitization Uplift Charges. |

27.5.5 Monitoring of a Counter-Party’s Securitization Uplift 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 Uplift Charge Credit Exposure.

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

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

(4) ERCOT may suspend a Counter-Party when that Counter-Party’s LASUCCE, as defined in Section 27.5.4, Determination of Securitization Uplift Charge Credit Exposure for a Counter-Party, equals or exceeds 100% of its Securitization Uplift 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 Uplift Charge escrow deposits in amounts equal to or greater than that Counter-Party’s LASUCFME.

(5) To the extent that a Counter-Party fails to maintain Securitization Uplift Charge escrow deposits in amounts equal to or greater than its LASUCCE, as defined in Section 27.5.4:

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

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

(ii) Until 1700 on the second Bank Business Day from the date on which ERCOT delivered Notification to increase its Securitization Uplift Charge escrow deposit if ERCOT delivered its Notice after 1500 but prior to 1700.

(b) If the Counter-Party does not increase its Securitization Uplift Charge escrow deposit to the required amount by the specified time, ERCOT may utilize Financial Security held with respect to other ERCOT market activities as determined under Section 16.11.4, Determination and Monitoring of Counter-Party Credit Exposure, up to the amount of the Securitization Uplift Charge escrow deposit shortfall.

(c) In the event that a Counter-Party is required to increase both its Securitization Default Charge escrow deposit and its Securitzation Uplift Charge escrow deposit, and ERCOT utilizes the Counter-Party’s Financial Security, available Financial Security funds will be allocated on a pro rata basis to Securitization Uplift Charge and Securitization Default Charge escrow deposit requirements.

(d) 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.

(e) ERCOT is not required to make any payment to that Counter-Party unless and until the Counter-Party increases its Securitization Uplift Charge escrow deposit to an amount equal to or greater than that Counter-Party’s LASUCCE. The payments that ERCOT will 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 Counter-Party Agreement, other agreements, and these Protocols.

(6) If a Counter-Party increases its Securitization Uplift 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.