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<b>APPLICATION OF THE ELECTRIC</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>RELIABILITY COUNCIL OF TEXAS,</b>	<b>§</b>	
<b>INC. FOR A DEBT OBLIGATION</b>	<b>§</b>	
<b>ORDER TO FINANCE UPLIFT</b>	<b>§</b>	<b>OF TEXAS</b>
<b>BALANCES UNDER PURA CHAPTER</b>	<b>§</b>	
<b>39, SUBCHAPTER M, AND FOR A</b>	<b>§</b>	
<b>GOOD CAUSE EXCEPTION</b>	<b>§</b>	

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.’S  
RESPONSE TO NRG ENERGY, INC.’S  
FIRST REQUEST FOR INFORMATION**

Electric Reliability Council of Texas, Inc. (“ERCOT”) files this response to NRG Energy, Inc.’s (“NRG”) First Request for Information.

**I. WRITTEN RESPONSES**

ERCOT’s written responses to NRG’s First Request for Information are attached and incorporated by reference. Each response is stated on or attached to a separate page on which the request has been restated. ERCOT’s responses are made in the spirit of cooperation without waiving ERCOT’s right to contest the admissibility of any of these matters at hearing. Pursuant to P.U.C. PROC. R. 22.144(c)(2)(A), each response lists the preparer or person under whose direct supervision the response was prepared and any sponsoring witness. When ERCOT provides certain information sought by the request while objecting to the provision of other information, it does so without prejudice to its objection in the interests of narrowing discovery disputes pursuant to P.U.C. PROC. R. 22.144(d)(5). Pursuant to P.U.C. PROC. R. 22.144(c)(2)(F), ERCOT stipulates that its responses may be treated by all parties as if they were made under oath.

**WINSTEAD PC**

By: /s/ Ron H. Moss

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**ATTORNEYS FOR ERCOT**

**CERTIFICATE OF SERVICE**

This document was filed on the Commission's Interchange website on August 17, 2021. In accordance with Order No. 2 in this docket, filing a document on the Commission's Interchange website constitutes service of the document on all parties to this proceeding.

/s/ Ron H. Moss  
Ron H. Moss

## RESPONSES

### QUESTION NO. 1-1:

ERCOT states in its application that "ERCOT initially used \$800 million of financial revenue auction proceeds to temporarily reduce the short-paid amounts to wholesale market participants, but some of that amount has been replenished. As of June 30, 2021, the amount of financial revenue auction receipts that remains to be replenished was approximately \$766 million."

- a. What portion of those financial revenue auction receipts did ERCOT use to cover defaults by Brazos Electric Power Cooperative ("Brazos") and Rayburn Electric Cooperative ("Rayburn")?
- b. Will ERCOT first seek to recover such receipts from Brazos and Rayburn before including any associated financial revenue auction amounts in the Default Balance?
- c. Will ERCOT require Brazos and Rayburn to use funds secured through S.B. 1580 Electric Cooperative Securitization to replenish auction receipts used to cover defaults by Brazos and Rayburn?
- d. If ERCOT replenishes financial revenue auction receipts through funds secured from Brazos and/or Rayburn, will it reduce the total Default Balance to be securitized in this proceeding?

### RESPONSE:

- a. ERCOT applied the \$800 million in Congestion Revenue Right ("CRR") auction receipts to reduce short payments on invoices due for payout on February 26, 2021. This \$800 million served to temporarily cover payments that, per the ERCOT Protocols, should have been funded by the payments due from market participants with invoices due on February 25, 2021. The total amount of short payments for invoices due on February 25, 2021 was \$2,116,581,108.43 (*see* ERCOT Market Notice W-B030121-01). The short payment by Brazos Electric Power Cooperative ("Brazos") for invoices due on February 25, 2021, was \$1,586,667,537.54 (*see* ERCOT Market Notice W-A030221-02). If the \$800 million in CRR auction receipts was applied pro-rata to the invoices due on February 25, 2021, approximately \$599.7 million ( $\$1,586,667,537.54$  divided by  $\$2,116,581,108.43$  equals 74.96% and then multiplied by \$800 million) would have been used to cover nonpayment by Brazos for invoices due on February 25, 2021.

Rayburn Country Electric Cooperative, Inc. ("Rayburn") made full payment on invoices due on February 25, 2021. Therefore, if the \$800 million in CRR auction funds were applied pro-rata to the invoices due on February 25, 2021, none of the CRR auction funds used by ERCOT on February 26, 2021, to cover payouts would

be attributable to short payments by Rayburn for invoices due on February 25, 2021. However, Rayburn's subsequent failure to make invoice payments did contribute to short payments on other invoices attributable to the "period of emergency," as that term is defined in in PURA § 39.602(4).

- b. No, ERCOT will not first seek to recover funds from Brazos or Rayburn for ERCOT's application of the \$800 million in CRR auction revenue funds for payment on February 26, 2021, because there is insufficient time to seek any such recovery prior to the deadline for issuance of a debt obligation order to finance the Default Balance under PURA Chapter 39, Subchapter M ("Debt Obligation Order"). Because ERCOT cannot predict whether Brazos or Rayburn will ultimately remit further payments to ERCOT for amounts owed from the period of emergency, ERCOT has determined it is prudent to seek Default Balance proceeds to replenish the CRR auction fund to the extent allowed under PURA Chapter 39, Subchapter M.
- c. No, ERCOT will not "require" Brazos and Rayburn to use funds secured through Senate Bill ("SB") 1580 to replenish CRR auction revenue funds because ERCOT does not have the authority to compel Brazos or Rayburn to secure funds pursuant to PURA Chapter 41, Subchapter D. Further, as noted above there is insufficient time for Brazos and Rayburn to secure financing under PURA Chapter 41, Subchapter D prior to the deadline for issuance of a Debt Obligation Order in this docket. However, if ERCOT received funds secured through SB 1580 prior to the issuance of a Debt Obligation Order, ERCOT would likely apply a portion of those funds to help replenish CRR auction revenue funds.
- d. Yes, if Brazos or Rayburn remits payments to ERCOT for outstanding unpaid invoices from the period of emergency prior to the issuance of the Debt Obligation Order, and the payments remitted are sufficient to fully replenish the CRR auction funds, then ERCOT will reduce the total Default Balance to be securitized in this proceeding. ERCOT does not expect that this will occur prior to the time for issuance of the Debt Obligation Order.

Preparer: Mark Ruane  
Sponsor: Kenan Ögelman

**QUESTION NO. 1-2:**

ERCOT states in its application that it would use approximately \$50 million to defray the costs incurred to implement the Debt Obligation Order and to retire or refund existing debt.

- a. Please explain the purpose of the debt that ERCOT may need to retire or refund and why it must be retired or refunded.
- b. What portion of the \$50 million would be used to defray costs? Please include a breakdown of costs associated with the categories listed on page 14 of Sean Taylor's testimony, lines 9 - 19.
- c. If ERCOT is not required to retire or refund existing debt, how will the \$50 million be reduced? If so, by how much? If not, how would the estimated \$50 million be allocated?
- d. If ERCOT is not required to retire or refund existing debt, what is its estimate of costs incurred to implement the Debt Obligation Order and for what reason would the costs be incurred?

**RESPONSE:**

- a. The existing debt that ERCOT may be required to retire or refund is fixed rate private placement debt related to two buildings owned by ERCOT. The debt was designed to enhance the stability and fairness of fees by matching debt repayment to the useful life of the properties from origination (2012) to maturation (2032). The debt is subject to several covenants, the most restrictive of which precludes ERCOT from directly or indirectly incurring new debt. Therefore, as a result of any Debt Obligation Order, ERCOT may be required to retire or refinance the private placement debt.
- b. As stated in the testimony of Sean Taylor, the current amount of ERCOT debt that may need to be retired or refinanced is \$45 million. ERCOT estimates that it will incur prepayment costs in the amount of \$5 million if it retires the debt early. ERCOT is in the process of gathering details related to other incurred or projected costs associated with the implementation of a Debt Obligation Order and will supplement the record to more specifically quantify these costs as feasible.
- c. If ERCOT is not required to retire or refund existing debt, the \$50 million allocated to that purpose will instead be used to replenish CRR auction revenue funds.
- d. Regardless of whether ERCOT will be required to retire or refund existing debt, ERCOT has identified several categories of costs that will be necessary to implement a Debt Obligation Order, as noted in the testimony of Sean Taylor. As noted in ERCOT's response to Question No. NRG 1-2(b), ERCOT is in the process

of gathering details related to other incurred or projected costs associated with the implementation of a Debt Obligation Order and will supplement the record to more specifically quantify these costs as feasible.

Preparer: Leslie Wiley  
Sponsor: Sean Taylor