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February 10, 2022

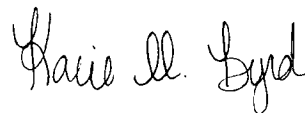
Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
Austin, Texas 78701

Re: Docket # 52709 Filing of the Final Default Property Servicing Agreement
related to the Texas Stabilization M Bonds, Series 2021.

Dear Filing Clerk:

Pursuant to Ordering Paragraph No. 33A of the Final Debt Obligation Order approved by the Public Utility Commission of Texas on October 13, 2021, please find attached the Default Property Servicing Agreement by and between ERCOT and Texas Electric Market Stabilization Funding M LLC, dated as of November 12, 2021.

Kind regards,



Kacie M. Byrd

KMB:jd
Enclosure

DEFAULT PROPERTY SERVICING AGREEMENT

by and between

TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC,

Issuer

and

ELECTRIC RELIABILITY COUNCIL OF TEXAS INC.,

Servicer

Dated as of November 12, 2021

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Exhibit A	Form of Monthly Servicer's Certificate
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This DEFAULT PROPERTY SERVICING AGREEMENT (this "Agreement"), dated as of November 12, 2021, is between TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC, a Delaware limited liability company, as issuer (the "Issuer"), and ELECTRIC RELIABILITY COUNCIL OF TEXAS INC. ("ERCOT"), a Texas non-profit corporation, as servicer (the "Servicer").

RECITALS

WHEREAS, pursuant to the Securitization Law and the Debt Obligation Order, ERCOT, in its capacity as seller (the "Seller"), and the Issuer are concurrently entering into a Sale Agreement pursuant to which the Seller is selling and the Issuer is purchasing certain Default Property created pursuant to the Securitization Law and the Debt Obligation Order described therein;

WHEREAS, in connection with its ownership of the Default Property and in order to collect the associated Default Charges, the Issuer desires to engage the Servicer to carry out the functions described herein (such functions or similar functions are currently performed by the Servicer for itself with respect to its charges which the Servicer has not assigned to other persons) and the Servicer desires to be so engaged; and

WHEREAS, the Issuer desires to engage the Servicer to act on its behalf in obtaining Annual True-Up Adjustments and Interim True-Up Adjustments and the Servicer desires to be so engaged.

WHEREAS, the Commission has agreed in the Debt Obligation Order to enforce this Agreement for the benefit of Texas wholesale market participants or their customers to the extent permitted by law.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

SECTION 1.01. Definitions.

(a) Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in that certain Indenture (including Appendix A thereto) dated as of the date hereof between the Issuer and U.S. Bank National Association, a national banking association, in its capacity as the indenture trustee (the "Indenture Trustee") and in its separate capacity as a securities intermediary (the "Securities Intermediary"), as the same may be amended, restated, supplemented or otherwise modified from time to time.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) The words "hereof," "herein," "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section, Schedule, Exhibit, Annex and Attachment references contained in this Agreement are references to Sections, Schedules, Exhibits, Annexes and Attachments in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(d) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

(e) Non-capitalized terms used herein which are defined in the Texas Utilities Code shall, as the context requires, have the meanings assigned to such terms in the Texas Utilities Code, but without giving effect to amendments to the Texas Utilities Code after the date hereof which have a material adverse effect on the Issuer or the Holders.

ARTICLE II APPOINTMENT AND AUTHORIZATION

SECTION 2.01. Appointment of Servicer; Acceptance of Appointment. The Issuer hereby appoints the Servicer, and the Servicer, as an independent contractor, hereby accepts such appointment, to perform the Servicer's obligations pursuant to this Agreement on behalf of and for the benefit of the Issuer or any assignee thereof in accordance with the terms of this Agreement and applicable law with respect to all Texas Stabilization M Bonds issued by the Issuer pursuant to the Indenture. This appointment and the Servicer's acceptance thereof may not be revoked except in accordance with the express terms of this Agreement.

SECTION 2.02. Authorization. With respect to all or any portion of the Default Property, the Servicer shall be, and hereby is, authorized and empowered by the Issuer to (a) execute and deliver, on behalf of itself and/or the Issuer, as the case may be, any and all instruments, documents or notices, and (b) on behalf of itself and/or the Issuer, as the case may be, make any filing and participate in proceedings of any kind with any Governmental Authority, including with the Commission. The Issuer shall execute and deliver to the Servicer such documents as have been prepared by the Servicer for execution by the Issuer and shall furnish the Servicer with such other documents as may be in the Issuer's possession, in each case as the Servicer may determine to be necessary or appropriate to enable it to carry out its servicing and administrative duties hereunder. Upon the Servicer's written request, the Issuer shall furnish the Servicer with any powers of attorney or other documents necessary or appropriate to enable the Servicer to carry out its duties hereunder.

SECTION 2.03. Dominion and Control Over the Default Property. Notwithstanding any other provision herein, the Issuer shall have dominion and control over the Default Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent and custodian for the Issuer with respect to the Default Property and the Default Property Records. The Servicer shall not take any action that is not authorized by this Agreement, that would contravene the Securitization Law or the Debt Obligation Order, that is not consistent with its customary procedures and practices, or that shall impair the rights of the Issuer in the Default Property, in each case unless such action is required by applicable law or court or regulatory order.

ARTICLE III ROLE OF SERVICER

SECTION 3.01. Duties of Servicer. The Servicer, as agent for the Issuer, shall have the following duties:

(a) Duties of Servicer Generally. The Servicer's duties in general shall include management, servicing and administration of the Default Property; calculating billing and collections and posting of all payments in respect of the Default Property; responding to inquiries by QSEs and CRR account holders, the Commission, or any other Governmental Authority with respect to the Default Property; delivering bills to QSEs and CRR account holders; investigating and handling delinquencies (and furnishing reports with respect to such delinquencies to the Issuer), processing and depositing collections and making periodic remittances; furnishing periodic reports to the Issuer, the Indenture Trustee, and as applicable the Rating Agencies; making all filings with the Commission and the Secretary of State and taking such other action as may be necessary to perfect the Issuer's ownership interests in and the Indenture Trustee's first priority Lien on and security interest in the Default Property; making all filings and taking such other action as may be necessary to perfect and maintain the perfection and priority of the Indenture Trustee's Lien on and security interest in all Texas Stabilization M Bond Collateral; selling as the agent for the Issuer as its interests may appear defaulted or written off accounts in accordance with the Servicer's usual and customary practices; taking all necessary action in connection with True-Up Adjustments as set forth herein; and performing such other duties as may be specified under the Debt Obligation Order to be performed by it. Anything to the contrary notwithstanding, the duties of the Servicer set forth in this Agreement shall be qualified in their entirety by any Commission Regulations, the Debt Obligation Order, and the federal securities laws and the rules and regulations promulgated thereunder, as in effect at the time such duties are to be performed. Without limiting the generality of this Section 3.01(a), in furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with, the duties and responsibilities relating to data acquisition, usage and bill calculation, billing, customer service functions, collections, payment processing and remittance set forth in Annex I hereto, as it may be amended from time to time.

(b) Reporting Functions.

(i) Monthly Servicer's Certificate. On or before the twenty-fifth (25th) calendar day of each month (or if such day is not a Servicer Business Day, on the immediately preceding Servicer Business Day), the Servicer shall prepare and deliver to the Issuer, the Indenture Trustee, the Initial Purchaser, and as applicable the Rating Agencies a written report substantially in the form of Exhibit A hereto (a "Monthly Servicer's Certificate") setting forth certain information relating to Default Charge Payments received by the Servicer during the Collection Period immediately preceding such date; provided, however, that for any month in which the Servicer is required to deliver a Servicer's Payment Certificate pursuant to Section 4.01(c)(ii), the Servicer shall prepare and deliver the Monthly Servicer's Certificate no later than the date of delivery of such Servicer's Payment Certificate.

(ii) Notification of Laws and Regulations. The Servicer shall immediately notify the Issuer, the Initial Purchaser, the Indenture Trustee and, if and when applicable, the Rating Agencies in writing of any Requirements of Law or Commission Regulations hereafter promulgated that have a material adverse effect on the Servicer's ability to perform its duties under this Agreement.

(iii) Other Information. Upon the reasonable request of the Issuer, or the Indenture Trustee, the Initial Purchaser, or any Rating Agency, the Servicer shall provide to the Issuer, or the Indenture Trustee or such Rating Agency, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the Default Property to the extent it is reasonably available to the Servicer, as may be reasonably necessary and permitted by law to enable the Issuer, the Indenture Trustee, or as applicable the Rating Agencies to monitor the performance by the Servicer hereunder; provided, however, that any such request by the Indenture Trustee shall not create any obligation for the Indenture Trustee to monitor the performance of the Servicer. In addition, so long as any of the Texas Stabilization M Bonds are outstanding, the Servicer shall provide the Issuer, the Initial Purchaser, and the Indenture Trustee, within a reasonable time after written request therefor, any information available to the Servicer or reasonably obtainable by it that is necessary to calculate the Default Charges applicable to each QSE and CRR account holders.

(iv) Preparation of Reports. The Servicer shall prepare and deliver such additional reports as required under this Agreement, including a copy of the Servicer's Payment Certificate described in Section 4.01(c)(ii). In addition, the Servicer shall prepare, procure, deliver and/or file, or cause to be prepared, procured, delivered or filed, any reports, attestations, exhibits, certificates or other documents required to be delivered or filed with any other Governmental Authority by the Issuer or the Depositor under the federal securities or other applicable laws or in accordance with the Basic Documents.

(c) Opinions of Counsel. The Servicer shall deliver to the Issuer, the Initial Purchaser, and the Indenture Trustee:

(i) promptly after the execution and delivery of this Agreement and of each amendment hereto, an Opinion of Counsel from external counsel of the Issuer either (A) to the effect that, in the opinion of such counsel, all filings, including filings with the Commission, the Texas Secretary of State, the Delaware Secretary of State, and all filings pursuant to the UCC, that are necessary under the UCC and the Securitization Law to perfect or maintain, as applicable, the Liens of the Indenture Trustee in the Default Property have been authorized, executed and filed, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (B) to the effect that, in the opinion of such counsel, no such action shall be necessary to preserve, protect and perfect such Liens; and

(ii) within one-hundred and twenty (120) days after the beginning of each calendar year beginning with the first calendar year beginning more than three (3) months after the date hereof, an Opinion of Counsel from external counsel of the Issuer, dated as of a date during such one-hundred and twenty (120)-day period, either (A) to the effect

that, in the opinion of such counsel, all filings, including filings with the Commission, the Texas Secretary of State, Delaware Secretary of State, and all filings pursuant to the UCC, have been executed and filed that are necessary under the UCC and the Securitization Law to maintain the Liens of the Indenture Trustee in the Default Property, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (B) to the effect that, in the opinion of such counsel, no such action shall be necessary to preserve, protect and perfect such Liens.

Each Opinion of Counsel referred to in clause (i) or (ii) above shall specify any action necessary (as of the date of such opinion) to be taken in the following year to perfect or maintain, as applicable, such interest or Lien.

SECTION 3.02. Servicing and Maintenance Standards. On behalf of the Issuer, the Servicer shall (a) manage, service, administer and make collections in respect of the Default Property with reasonable care and in material compliance with applicable Requirements of Law, including all applicable Commission Regulations and guidelines, using the same degree of care and diligence that the Servicer exercises with respect to similar assets for its own account and, if applicable, for others; (b) follow customary standards, policies and procedures for the industry in Texas in performing its duties as Servicer; (c) use all reasonable efforts, consistent with its customary servicing procedures, to enforce, and maintain rights in respect of, the Default Property and to bill and collect the Default Charges; (d) comply with all Requirements of Law, including all applicable Commission Regulations and guidelines, applicable to and binding on it relating to the Default Property; (e) file all Commission notices described in the Securitization Law and file and maintain the effectiveness of UCC financing statements with respect to the property transferred under the applicable Sale Agreement, and (f) take such other action on behalf of the Issuer to ensure that the Lien of the Indenture Trustee on the Texas Stabilization M Bond Collateral remains perfected and of first priority. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of all or any portion of the Default Property, which, in the Servicer's judgment, may include the taking of legal action, at the Issuer's expense but subject to the priority of payments set forth in Section 8.02(e) of the Indenture.

SECTION 3.03. Reserved.

SECTION 3.04. Reserved.

SECTION 3.05. Reserved.

SECTION 3.06. Monitoring of QSEs and CRR Account Holders. From time to time, until the Retirement of the Texas Stabilization M Bonds, the Servicer shall, in accordance with the Servicing Standard, take all actions with respect to QSEs and CRR account holders required to be taken by the Servicer as set forth, if applicable, in the ERCOT Protocols or in any agreement with the Servicer, the Debt Obligation Order, and any other Commission Regulations in effect from time to time and implement such additional procedures and policies as are necessary to ensure that the obligations of all QSEs and CRR account holders in connection with Default Charges are properly enforced in accordance with, if applicable, the terms of any agreement with the Servicer,

the Debt Obligation Order, and any other Commission Regulations in effect from time to time. Such procedures and policies shall include the following:

(a) Maintenance of Records and Information. In addition to any actions required by Commission Regulations or other applicable law, the Servicer shall:

(i) maintain adequate records for promptly identifying and contacting each QSE and CRR account holder listing their respective allocable share of Default Charges in accordance with the terms of the Debt Obligation Order and ERCOT's Default Charge Protocols;

(ii) maintain adequate records for enforcing compliance by all QSEs and CRR account holders with their obligations with respect to the payment and/or remittance of Default Charges, including compliance with ERCOT's Default Charge Protocols; and

(iii) if requested, provide to each QSEs and CRR account holders such information necessary for such QSEs and CRR account holders to confirm the Servicer's calculation of Default Charges and remittances, including, if applicable, charge-off amounts.

The Servicer shall update the records described above no less frequently than quarterly.

(b) Credit and Collection Policies. In addition to causing Default Charges to be assessed and collected in accordance with ERCOT Protocols, the Servicer shall, to the fullest extent permitted under ERCOT Protocols, adopt and impose such additional credit and collection policies applicable to QSEs and CRR account holders as may be reasonably necessary to, as appropriate, prevent the then-current rating of the Texas Stabilization M Bonds from being downgraded, withdrawn or suspended, and to ensure prompt payment and where applicable the collection of interest on Default Charges. The Servicer shall periodically review the need for modified or additional policies or ERCOT Protocols based upon, among other things, (i) the relative amount of Default Charge Payments received or expected to be received from QSE or CRR account holders relative to the Periodic Billing Requirement, and (ii) the historical payment and default experience of each QSE or CRR account holder.

(c) Monitoring of Performance and Payments. In addition to any actions required by the Securitization Law, Debt Obligation Order, or other applicable law, the Servicer shall require each QSE and CRR account holder to pay all Default Charges billed to such QSE and CRR account holder in accordance with the provisions of the Securitization Law, the Debt Obligation Order and ERCOT's Default Charge Protocols (whether or not disputed). The Servicer shall work with QSE and CRR account holders to resolve any disputes using the dispute resolution procedures established in the ERCOT Protocols.

(d) Maintenance of Default Charge Deposits. As described in Finding of Fact No. 63 of the Debt Obligation Order, the Servicer shall require each QSE and CRR account holder to post collateral deposit amounts or post letters of credit as a source of payment of Default Charges in accordance with ERCOT's Default Charge Protocols (the "Default Charge Deposits"). The Default Charge Deposit amounts shall be held by the Servicer as supplemental source of payment of Default Charges, on behalf of QSEs and CRR account holders, to the extent necessary to account

for unpaid or delinquent Default Charges. Any cash collateral amounts shall only be invested by the Servicer in Eligible Investments. If any QSE or CRR account holder defaults or is delinquent on the payment of Default Charges, the Servicer shall collect the unpaid Default Charges from the applicable QSE or CRR account holder's Default Charge Deposit in accordance with the ERCOT Default Charge Protocols. The Default Charge Deposits shall be held by the Servicer pursuant to the ERCOT Default Charge Protocols, as amended from time to time.

(e) Enforcement of Obligations. The Servicer shall, in accordance with the terms of the Debt Obligation Order, ensure that each QSE and CRR account holder pays or remits all Default Charge Payments which it is obligated to remit to the Servicer. In the event of any default by any QSE or CRR account holder, the Servicer shall enforce all rights set forth in and take all other steps permitted by, if applicable, the Debt Obligation Order, ERCOT Protocols, and any other Commission Regulations as it determines, in accordance with the Servicing Standard, are reasonably necessary to ensure the prompt payment of Default Charge Payments by such QSE or CRR account holder and to preserve the rights of the Holders with respect thereto, including, where appropriate, petitioning the Commission to impose such remedies or penalties as may be available under the circumstances. Any agreement entered into between the Servicer and a defaulted QSE or CRR account holder will be limited by the terms of this Agreement and will satisfy, if and when applicable, the Rating Agency Condition. In the event the Servicer has actual knowledge that a QSE or CRR account holder is in default, the Servicer shall promptly notify a Responsible Officer of the Issuer in writing of the same and, shall, if applicable, instruct the Issuer either to:

(i) withdraw from such QSE or CRR account holder Default Charge Deposit and deposit into the Collection Account the lesser of (x) the amount of cash on deposit in such QSE or CRR account holder Default Charge Deposit and allocable to the Default Property at such time and (y) the amount of any Default Charges then due and payable by such QSE or CRR account holder; or

(ii) make demand under any letter of credit, guarantee or other credit support up to the lesser of (x) the amount of such letter of credit, guarantee or other credit support and (y) the amount of any Default Charges then due and payable by such QSE or CRR account holder and forward the amounts received, if any, as a result of such demand to the Collection Account.

The Issuer agrees it will, within two (2) Business Days of receipt of such written notice, withdraw such funds from the QSE or CRR account holder Default Charge Deposit or make demand under such credit support, as applicable, and deposit such funds withdrawn or received, as applicable, into the Collection Account.

ARTICLE IV. SERVICES RELATED TO TRUE-UP ADJUSTMENTS

SECTION 4.01. True-Up Adjustments. From time to time, until the Retirement of the Texas Stabilization M Bonds, the Servicer shall identify the need for Annual True-Up Adjustments, Mandatory Interim True-Up Adjustments, and Optional Interim True-Up Adjustments and shall take all reasonable action to obtain and implement such True-Up Adjustments, all in accordance with the following:

(a) Expected Amortization Schedule. The Expected Amortization Schedule for the Texas Stabilization M Bonds is attached hereto as Schedule 4.01(a). If the Expected Amortization Schedule is revised, the Servicer shall send a copy of such revised Expected Amortization Schedule to the Issuer, the Initial Purchaser, and the Indenture Trustee and, if and when applicable, the Rating Agencies promptly thereafter.

(b) Annual True-Up Adjustments.

(i) Calculation of Periodic Billing Requirement. Each year within forty-five (45) days prior to the first Collection Period of October until the final payment date of the Texas Stabilization M Bonds, the Servicer shall calculate the Periodic Billing Requirement for the next twelve (12) Calculation Periods beginning with the November Collection Period (the "Annual True-Up Adjustment") in a manner to reasonably ensure that the Periodic Payment Requirement (as more fully described below) for such Calculation Period shall be met, as of the last Payment Date occurring in such Calculation Period:

(A) all accrued and unpaid interest on the Texas Stabilization M Bonds then due shall have been paid in full on a timely basis;

(B) the Outstanding Amount of the Texas Stabilization M Bonds is equal to the Projected Unrecovered Balance on each Payment Date during such Calculation Period;

(C) the Debt Service Reserve Requirement is fully funded;

(D) the balances on deposit in the Supplemental Capital Subaccount, if any equal the aggregate Required Capital Level; and

(E) all fees, expenses indemnity amounts due, and Operating Expenses due and owing and required or allowed to be paid under Section 8.02 of the Indenture as of such date shall have been paid in full;

provided that, with respect to the Annual True-Up Adjustment occurring after the last Scheduled Final Payment Date for the Texas Stabilization M Bonds, the Periodic Payment Requirement shall be calculated to ensure that sufficient Default Charges will be collected to retire the Texas Stabilization M Bonds in full as of the next Payment Date.

In making the Annual True-Up Adjustment, the Servicer shall also take into account (1) any under-collections or over-collections during the preceding Calculation Period; (2) any changes to ERCOT Protocols relating to the forecasting of uncollectibles, and delinquencies, including declines in collection from any ERCOT customer class; and (3) any changes to ERCOT Protocols relating to the allocation, assessment and/or collection of Default Charges, to the extent permitted under this Agreement and the Debt Obligation Order.

(ii) Assessment of Monthly Default Charges. Upon making the Annual True-Up Adjustment, the Servicer shall amortize the Periodic Billing Requirement monthly for

the upcoming Calculation Period (the "Monthly Amortization Amount") and assess the Default Charges to each QSE and CRR account holder as a monthly charge, on a pro rata basis based upon the QSE or CRR account holder's volume of activity in the market for the most recent month for which final settlement data is available in accordance with ERCOT's Default Charge Protocols.

(c) Mandatory Interim True-Up Adjustment.

(i) Interim True-Up Calculation. Five (5) Business Days prior to November 12, 2024 (the "Reset Date") and each year no later than forty-five (45) days prior to the first Collection Period of April until the final payment date of the Texas Stabilization M Bonds, the Servicer shall assess whether a recalculation of the Periodic Billing Requirement is necessary to ensure that the Periodic Payment Requirement shall be met for the Calculation Period comprised of the twelve (12) succeeding Collection Periods beginning with the May Collection Period taking into account: (A) any under-collections or increases to the Periodic Payment Requirement occurring or anticipated to occur since the Annual True-Up Adjustment; (B) any changes relating to the forecasting of projected loads, uncollectibles, and delinquencies, including declines in collection from any QSE or CRR account holder; and (C) any changes to ERCOT Protocols relating to the allocation, assessment and/or collection of Default Charges, to the extent permitted under this Agreement and the Debt Obligation Order (The "Interim True-Up Calculation").

(ii) Recalculation of Periodic Billing Requirement. Upon making the Interim True-Up Calculation, the Servicer shall make an upward adjustment to the Periodic Billing Requirement for the Calculation Period to the extent reasonably necessary to ensure that the Periodic Payment Requirement for the Calculation Period shall be met (the "Mandatory Interim True-Up Adjustment").

(iii) Re-assessment of Monthly Default Charges. Upon making any Mandatory Interim True-Up Adjustment, the Servicer shall adjust the Monthly Amortization Amount for the Calculation Period and assess the Default Charges to each QSE and CRR account holder as a monthly charge, on a pro rata basis based upon the QSE or CRR account holder's volume of activity in the market for the most recent month for which final settlement data is available in accordance with ERCOT's Default Charge Protocols.

(d) Optional Interim True-Up Adjustments. In addition to the True-Up Adjustments described above in Sections 4.01(b) and (c), the Servicer may implement additional optional interim true-up adjustments (in the same manner as provided for the Mandatory Interim True-Up Adjustments) at any time (an "Optional Interim True-Up Adjustment") (i) if the Servicer forecasts that Default Charges Collections in any Calculation Period will be insufficient to make all scheduled payments of principal, interest, and other amounts in respect of the Texas Stabilization M Bonds on a timely basis; (ii) to replenish any draws upon the Debt Service Reserve Subaccount or the Supplemental Capital Subaccount; and/or (iii) generally to correct any under-collection in order to assure timely payment of Texas Stabilization M Bonds.

(e) Reports.

(i) Notice of True-Up Adjustments.

(A) With respect to each Annual True-Up Adjustment and Mandatory Interim True-Up Adjustment as described in Sections 4.01(b) and (c), the Servicer shall file a notice with the Commission not less than forty-five (45) days prior to the first billing cycle of the month in which the revised Default Charges shall come into effect. In the event of an Optional Interim True-Up Adjustment as described in Section 4.01(d), the Servicer shall file a notice with the Commission not less than fifteen (15) days prior to the first billing cycle of the month in which the revised Default Charges shall come into effect.

(B) The Servicer shall send a copy of such filing or notice (together with a copy of all notices and documents which, in the Servicer's reasonable judgment, are material to the adjustments effected) to the Issuer, the Initial Purchaser and the Indenture Trustee concurrently therewith. If, for any reason any revised Default Charges are not implemented and effective on the applicable date set forth herein, the Servicer shall notify the Issuer, the Initial Purchaser and the Indenture Trustee by the end of the second Servicer Business Day after such applicable date.

(ii) Servicer's Payment Certificate. Not later than five (5) Servicer Business Days prior to each Payment Date or Special Payment Date, the Servicer shall deliver a written report substantially in the form of Exhibit B hereto (the "Servicer's Payment Certificate") to the Issuer, the Indenture Trustee, Initial Purchaser, and as applicable the Rating Agencies which shall include all of the following information (to the extent applicable and including any other information so specified in the Series Supplement) as to the Texas Stabilization M Bonds with respect to such Payment Date or Special Payment Date or the period since the previous Payment Date, as applicable:

(A) the amount of the payment to Holders allocable to principal, if any;

(B) the amount of the payment to Holders allocable to interest;

(C) the aggregate Outstanding Amount of the Texas Stabilization M Bonds, before and after giving effect to any payments allocated to principal reported under clause (a) above;

(D) the difference, if any, between the amount specified in clause (c) above and the Outstanding Amount specified in the Expected Amortization Schedule;

(E) any other transfers and payments to be made on such Payment Date or Special Payment Date, including amounts paid to the Indenture Trustee and to the Servicer; and

(F) the amounts on deposit in the Debt Service Reserve Subaccount, the Supplemental Capital Subaccount, and the Excess Funds Subaccount, after giving effect to the foregoing payments.

(iii) QSE and CRR Account Holder Reports. The Servicer shall provide, when and if applicable, to the Rating Agencies, upon request, any publicly available reports filed by the Servicer with the Commission (or otherwise made publicly available by the Servicer) relating to QSE and CRR account holders and any other non-confidential and non-proprietary information relating to QSE and CRR account holders reasonably requested by the Rating Agencies to the extent such information is reasonably available to the Servicer.

SECTION 4.02. Limitation of Liability. (a) The Issuer and the Servicer expressly agree and acknowledge that:

(i) In connection with any True-Up Adjustment, the Servicer is acting solely in its capacity as the servicing agent hereunder.

(ii) Neither the Servicer nor the Issuer nor the Indenture Trustee is responsible in any manner for, and shall have no liability whatsoever as a result of, any action, decision, ruling or other determination made or not made, or any delay (other than any delay resulting from the Servicer's failure to make any filings required by Section 4.01 in a timely and correct manner or any breach by the Servicer of its duties under this Agreement that adversely affects the Default Property or the True-Up Adjustments), by the Commission in any way related to the Default Property or in connection with any True-Up Adjustment, the subject of any filings under Section 4.01, any proposed True-Up Adjustment, or the approval of any revised Default Charges and the scheduled adjustments thereto.

(iii) Except to the extent that the Servicer is liable under Section 6.02, the Servicer shall have no liability whatsoever relating to the calculation of any revised Default Charges and the scheduled adjustments thereto, including as a result of any inaccuracy of any of the assumptions made in such calculation and estimated expenses and fees of the Issuer, so long as the Servicer has acted in good faith and has not acted in a negligent manner in connection therewith, nor shall the Servicer have any liability whatsoever as a result of any Person, including the Holders, not receiving any payment, amount or return anticipated or expected or in respect of any Texas Stabilization M Bond generally.

(b) Notwithstanding the foregoing, this Section 4.02 shall not relieve the Servicer of liability for any misrepresentation by the Servicer under Section 6.01 or for any breach by the Servicer of its other obligations under this Agreement.

ARTICLE V THE DEFAULT PROPERTY

SECTION 5.01. Custody of Default Property Records. To assure uniform quality in servicing the Default Property and to reduce administrative costs, the Issuer hereby revocably appoints the Servicer, and the Servicer hereby accepts such appointment, to act as the agent of the Issuer as custodian of any and all documents and records that the Servicer shall keep on file, in

accordance with its customary procedures, relating to the Default Property, including copies of the Debt Obligation Order and Issuance Advice Letter relating thereto and all documents filed with the Commission in connection with any True-Up Adjustment and computational records relating thereto (collectively, the "Default Property Records"), which are hereby constructively delivered to the Indenture Trustee, as pledgee of the Issuer with respect to all Default Property.

SECTION 5.02. Duties of Servicer as Custodian.

(a) Safekeeping. The Servicer shall hold the Default Property Records on behalf of the Issuer and maintain such accurate and complete accounts, records and computer systems pertaining to the Default Property Records as shall enable the Issuer and the Indenture Trustee, as applicable, to comply with this Agreement, the applicable Sale Agreement and the Indenture. In performing its duties as custodian, the Servicer shall act with reasonable care, using that degree of care and diligence that the Servicer exercises with respect to comparable assets that the Servicer services for itself or, if applicable, for others. The Servicer shall promptly report to the Issuer, the Indenture Trustee, and as applicable, the Rating Agencies any failure on its part to hold the Default Property Records and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure. Nothing herein shall be deemed to require an initial review or any periodic review by the Issuer or the Indenture Trustee of the Default Property Records. The Servicer's duties to hold the Default Property Records set forth in this Section 5.02, to the extent the Default Property Records have not been previously transferred to a successor Servicer pursuant to Article VII, shall terminate one year and one day after the earlier of the date on which (i) the Servicer is succeeded by a successor Servicer in accordance with Article VII and (ii) no Texas Stabilization M Bonds are Outstanding.

(b) Maintenance of and Access to Records. The Servicer shall maintain the Default Property Records at 7620 Metro Center Drive, Austin, Texas 78744 or at such other office as shall be specified to the Issuer, the Initial Purchaser and the Indenture Trustee by written notice at least thirty (30) days prior to any change in location. The Servicer shall make available for inspection, audit and copying to the Issuer, the Initial Purchaser and the Indenture Trustee or their respective duly authorized representatives, attorneys or auditors the Default Property Records at such times during normal business hours as the Issuer or the Indenture Trustee shall reasonably request and which do not unreasonably interfere with the Servicer's normal operations. Nothing in this Section 5.02(b) shall affect the obligation of the Servicer to observe any applicable law or Commission Regulation and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 5.02(b).

(c) Release of Documents. Upon instruction from the Indenture Trustee in accordance with the Indenture, the Servicer shall release any Default Property Records to the Indenture Trustee, the Indenture Trustee's agent or the Indenture Trustee's designee, as the case may be, at such place or places as the Indenture Trustee may designate, as soon as practicable. Nothing in this Section 5.02(c) shall affect the obligation of the Servicer to observe any applicable law or Commission Regulation and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 5.02(c).

(d) Defending Default Property Against Claims. The Servicer shall institute any action or proceeding necessary to compel performance by each QSE or CRR account holder (at the

earliest possible time) of any of their respective obligations or duties under the Securitization Law or the Debt Obligation Order with respect to the Default Property or any agreement with the Servicer entered into pursuant to the Debt Obligation Order, and the Servicer agrees to take such legal or administrative actions, including without limitation defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary to block or overturn any attempts to cause a repeal of, modification of or supplement to the Securitization Law or the Debt Obligation Order. The costs of any action described in this Section 5.02(d) shall be payable from Default Charges Collections as an Operating Expense (and shall not be deemed to constitute a portion of the Servicing Fee) in accordance with the Indenture. The Servicer's obligations pursuant to this Section 5.02(d) shall survive and continue notwithstanding that payment of such Operating Expense may be delayed pursuant to the terms of the Indenture (it being understood that the Servicer may be required initially to advance its own funds to satisfy its obligations hereunder).

(e) Additional Litigation to Defend Default Property. In addition to the above, the Servicer shall, at its own expense, institute any action or proceeding necessary to compel performance by the Commission or the State of Texas of any of their respective obligations or duties under the Securitization Law or the Debt Obligation Order with respect to the Default Property, and to compel performance by QSE or CRR account holders with any of their respective obligations or duties under the Debt Obligation Order.

SECTION 5.03. Custodian's Indemnification. To the extent permitted by law, the Servicer as custodian shall indemnify the Issuer, any Independent Manager and the Indenture Trustee (for itself and for the benefit of the Holders) and each of their respective officers, directors, employees and agents for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, damages, payments and claims, and reasonable costs or expenses, of any kind whatsoever (collectively, "Indemnified Losses") that may be imposed on, incurred by or asserted against each such Person as the result of any negligent act or omission in any way relating to the maintenance and custody by the Servicer, as custodian, of the Default Property Records; provided, however, that the Servicer shall not be liable for any such losses attributable to the willful misconduct, bad faith or negligence of the Issuer, any Independent Manager or the Indenture Trustee.

Indemnification under this Section 5.03 shall survive resignation or removal of the Indenture Trustee or any Independent Manager and shall include reasonable out-of-pocket fees and expenses of investigation and litigation (including reasonable attorney's fees and expenses and reasonable fees, out-of-pocket expenses and costs incurred in connection with any action, claim or suit brought to enforce the Indenture Trustee's right to indemnification).

SECTION 5.04. Effective Period and Termination. The Servicer's appointment as custodian shall become effective as of the Closing Date and shall continue in full force and effect until terminated pursuant to this Section 5.04. If the Servicer shall resign as Servicer in accordance with the provisions of this Agreement or if all of the rights and obligations of the Servicer shall have been terminated under Section 7.01, the appointment of the Servicer as custodian shall be terminated effective as of the date on which the termination or resignation of the Servicer is effective. Additionally, if not sooner terminated as provided above, the Servicer's obligations as

custodian shall terminate one year and one day after the date on which no Texas Stabilization M Bonds are Outstanding.

ARTICLE VI THE SERVICER

SECTION 6.01. Representations and Warranties of Servicer. The Servicer makes the following representations and warranties, as of the Closing Date, and as of such other dates as expressly provided in this Section 6.01, on which the Issuer and the Indenture Trustee are deemed to have relied in entering into this Agreement relating to the servicing of the Default Property. The representations and warranties shall survive the execution and delivery of this Agreement, the sale of any Default Property and the pledge thereof to the Indenture Trustee pursuant to the Indenture.

(a) Organization and Good Standing. The Servicer is duly organized and validly existing and is in good standing under the laws of the State of Texas, with the requisite corporate or other power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted and to execute, deliver and carry out the terms of this Agreement, and had at all relevant times, and has, the requisite power, authority and legal right to service the Default Property and to hold the Default Property Records as custodian.

(b) Due Qualification. The Servicer is duly qualified to do business and is in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the Default Property as required by this Agreement) shall require such qualifications, licenses or approvals (except where the failure to so qualify would not be reasonably likely to have a material adverse effect on the Servicer's business, operations, assets, revenues or properties or to its servicing of the Default Property).

(c) Power and Authority. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of the Servicer under its organizational or governing documents and laws.

(d) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Servicer enforceable against the Servicer in accordance with its terms, subject to applicable insolvency, reorganization, moratorium, fraudulent transfer, laws relating to or affecting creditors' rights generally from time to time in effect, general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law, and sovereign immunity.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms of each will not conflict with, result in any breach of any of the terms and provisions of, nor constitute (with or without notice or lapse of time) a default under, the organizational documents of the Servicer, or any indenture or other agreement or instrument to which the Servicer is a party or by which it or any of its property is bound; nor result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement or other instrument (other than any Lien that may be granted under the

Basic Documents or any Lien created pursuant to the Securitization Law); nor violate any existing law or any existing order, rule or regulation applicable to the Servicer of any Governmental Authority having jurisdiction over the Servicer or its properties.

No Proceedings. There are no proceedings pending and, to the Servicer's knowledge, there are no proceedings threatened and, to the Servicer's knowledge, there are no investigations pending or threatened, before any Governmental Authority having jurisdiction over the Servicer or its properties involving or relating to the Servicer or the Issuer or, to the Servicer's knowledge, any other Person: (i) asserting the invalidity of this Agreement or any of the other Basic Documents, (ii) seeking to prevent the issuance of the Texas Stabilization M Bonds or the consummation of any of the transactions contemplated by this Agreement or any of the other Basic Documents to which the Servicer is a party, (iii) seeking any determination or ruling that could reasonably be expected to materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, this Agreement, any of the other Basic Documents to which the Servicer is a party or is otherwise subject. A private letter ruling with respect to the applicability of previous revenue procedure rulings related to the issuance of the Bonds by investor-owned utilities has been requested from the Internal Revenue Service and no response is expected to be received prior to the closing.

(f) Approvals. No governmental approval, authorization, consent, order or other action of, or filing with, any Governmental Authority is required in connection with the execution and delivery by the Servicer of this Agreement, the performance by the Servicer of the transactions contemplated hereby or thereby or the fulfillment by the Servicer of the terms of each, except those that have been obtained or made, those that the Servicer is required to make in the future pursuant to Article IV and those that the Servicer may need to file in the future to continue the effectiveness of any financing statement filed under the UCC.

(g) Reports and Certificates. Each report and certificate delivered in connection with the Issuance Advice Letter or delivered in connection with any filing made to the Commission by the Servicer with respect to the Default Charges or True-Up Adjustments will constitute a representation and warranty by the Servicer that each such report or certificate, as the case may be, is true and correct in all material respects; provided, however, that to the extent any such report or certificate is based in part upon or contains assumptions, forecasts or other predictions of future events, the representation and warranty of the Servicer with respect thereto will be limited to the representation and warranty that such assumptions, forecasts or other predictions of future events are reasonable based upon historical performance (and facts known to the Servicer on the date such report or certificate is delivered).

SECTION 6.02. Indemnities of Servicer; Release of Claims. (a) The Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer under this Agreement.

(b) To the extent permitted by law, the Servicer shall indemnify the Issuer, the Indenture Trustee (for itself and for the benefit of the Holders) and any Independent Manager, and each of their respective trustees, officers, directors, employees and agents (each, an "Indemnified Person") for, and defend and hold harmless each such Person from and against, any and all Indemnified Losses imposed on, incurred by or asserted against any such Person as a result of (i) the Servicer's willful misconduct, bad faith or gross negligence in the performance of its duties

or observance of its covenants under this Agreement or its reckless disregard of its obligations and duties under this Agreement; (ii) the Servicer's willful breach of any of its representations and warranties contained in this Agreement as and when made; (iii) any litigation or related expense relating to the Servicer's status or obligations as Servicer (other than any proceeding the Servicer is required to institute under the Servicing Agreement); or (iv) any finding that interest payable to a QSE or CRR account holder with respect to disputed funds must be paid by the Issuer or from the Default Property, provided, however, that the Servicer shall not be liable for any such losses attributable to the willful misconduct, bad faith, negligence of any Indemnified Person or resulting from a breach of a representation or warranty made by any Indemnified Person in any of the Basic Documents that gives rise to the Servicer's breach.

(c) For purposes of Section 6.02(b), in the event of the termination of the rights and obligations of ERCOT (or any successor thereto pursuant to Section 6.03) as Servicer pursuant to Section 7.01, or a resignation by such Servicer pursuant to this Agreement, such Servicer shall be deemed to be the Servicer pending appointment of a successor Servicer pursuant to Section 7.02.

(d) Indemnification under this Section 6.02 shall survive any repeal of, modification of, or supplement to, or judicial invalidation of, the Securitization Law or the Debt Obligation Order and shall survive the resignation or removal of the Indenture Trustee or any Independent Manager or the termination of this Agreement and shall include reasonable out-of-pocket fees and expenses of investigation and litigation (including reasonable attorney's fees and expenses and the reasonable fees, out-of-pocket expenses and costs incurred in connection with any action, claim or suit brought to enforce the Indenture Trustee's right to indemnification).

(e) Except to the extent expressly provided in this Agreement or the other Basic Documents (including the Servicer's claims with respect to the Servicing Fee, reimbursement for any Excess Remittance, reimbursement for costs incurred pursuant to Section 5.02(d) and the payment of the purchase price of Default Property), the Servicer hereby releases and discharges the Issuer, any Independent Manager and the Indenture Trustee, and each of their respective officers, directors and agents (collectively, the "Released Parties") from any and all actions, claims and demands whatsoever, whenever arising, which the Servicer, in its capacity as Servicer or otherwise, shall or may have against any such Person relating to the Default Property or the Servicer's activities with respect thereto other than any actions, claims and demands arising out of the willful misconduct, bad faith or gross negligence of the Released Parties.

(f) Promptly after receipt by an Indemnified Person of notice (or, in the case of the Indenture Trustee, receipt of notice by a Responsible Officer only) of the commencement of any action, proceeding or investigation, such Indemnified Person shall, if a claim in respect thereof is to be made against the Servicer under this Section 6.02, notify the Servicer in writing of the commencement thereof. Failure by an Indemnified Person to so notify the Servicer shall relieve the Servicer from the obligation to indemnify and hold harmless such Indemnified Person under this Section 6.02 only to the extent that the Servicer suffers actual prejudice as a result of such failure. With respect to any action, proceeding or investigation brought by a third party for which indemnification may be sought under this Section 6.02, the Servicer shall be entitled to conduct and control, at its expense and with counsel of its choosing that is reasonably satisfactory to such Indemnified Person, the defense of any such action, proceeding or investigation (in which case the Servicer shall not thereafter be responsible for the fees and expenses of any separate counsel

retained by the Indemnified Person except as set forth below); provided that the Indemnified Person shall have the right to participate in such action, proceeding or investigation through counsel chosen by it and at its own expense. Notwithstanding the Servicer's election to assume the defense of any action, proceeding or investigation, the Indemnified Person shall have the right to employ separate counsel (including local counsel), and to the extent permitted by law, the Servicer shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the defendants in any such action include both the Indemnified Person and the Servicer and the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Servicer, (ii) the Servicer shall not have employed counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person within a reasonable time after notice of the institution of such action or (iii) the Servicer shall authorize the Indemnified Person to employ separate counsel at the expense of the Servicer or (iv) in the case of the Indenture Trustee, such action exposes the Indenture Trustee to a material risk of criminal liability or forfeiture or a Servicer Default has occurred and is continuing. Notwithstanding the foregoing, the Servicer shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Persons.

(g) The Servicer shall indemnify the Commission for, and defend and hold harmless against, any and all Indemnified Losses that may be imposed upon, incurred by or asserted against the Commission, including any increase in the Servicing Fee that becomes payable pursuant to Section 6.06, as a result of a Servicer Default resulting from the Servicer's willful misconduct, bad faith or gross negligence in either the performance of its duties or the observance of its covenants under this Agreement. The indemnification obligation set forth in this paragraph may be enforced by the Commission but is not enforceable by any QSE or CRR account holder.

SECTION 6.03. Binding Effect of Servicing Obligations. The obligations to continue to provide service and to collect and account for Default Charges will be binding upon the Servicer. Any Person (a) into which the Servicer may be merged, converted or consolidated and which is a Permitted Successor, (b) that may result from any merger, conversion or consolidation to which the Servicer shall be a party and which is a Permitted Successor, (c) that may succeed to the properties and assets of the Servicer substantially as a whole and which is a Permitted Successor, (d) which results from the division of the Servicer into two or more Persons and which is a Permitted Successor, or (e) which otherwise is a Permitted Successor, which Person in any of the foregoing cases executes an agreement of assumption to perform all of the obligations of the Servicer hereunder, shall be the successor to the Servicer under this Agreement without further act on the part of any of the parties to this Agreement; provided, however, that (i) immediately after giving effect to such transaction, no representation or warranty made pursuant to Section 6.01 shall have been breached and no Servicer Default and no event which, after notice or lapse of time, or both, would become a Servicer Default shall have occurred and be continuing, (ii) the Servicer shall have delivered to the Issuer, the Initial Purchaser, and the Indenture Trustee an Officer's Certificate and an Opinion of Counsel from external counsel stating that such consolidation, conversion, merger, division or succession and such agreement of assumption complies with this Section 6.03 and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with, (iii) the Servicer shall have delivered to the Issuer, the Initial Purchaser, and the Indenture Trustee an Opinion of Counsel from external counsel of the Servicer either (A) stating that, in the opinion of such counsel, all filings to be made by the Servicer, including filings with the Commission pursuant to the Securitization Law and the UCC,

have been executed and filed and are in full force and effect that are necessary to fully preserve, perfect and maintain the priority of the interests of the Issuer and the Liens of the Indenture Trustee in the Default Property and reciting the details of such filings or (B) stating that, in the opinion of such counsel, no such action shall be necessary to maintain such interests, (iv) the Servicer shall have delivered to the Issuer, the Indenture Trustee, the Rating Agencies, as applicable, and the Commission an Opinion of Counsel from independent tax counsel stating that, for federal income tax purposes, such consolidation, conversion, merger, division or succession and such agreement of assumption will not result in a material federal income tax consequence to the Issuer or the Holders of Texas Stabilization M Bonds, and (v) as applicable, the Servicer shall have given the Rating Agencies prior written notice of such transaction. When any Person (or more than one Person) acquires the properties and assets of the Servicer substantially as a whole or otherwise becomes the successor, by merger, conversion, consolidation, sale, transfer, lease or otherwise, to all or substantially all the operations of the Servicer, then upon satisfaction of all of the conditions of this Section 6.03, the preceding Servicer shall automatically and without further notice be released from all its obligations hereunder.

SECTION 6.04. Limitation on Liability of Servicer and Others. Except as otherwise provided under this Agreement, neither the Servicer nor any of the directors, officers, employees or agents of the Servicer shall be liable to the Issuer or any other Person for any action taken or for refraining from the taking of any action pursuant to this Agreement or for good faith errors in judgment; provided, however, that this provision shall not protect the Servicer or any such person against any liability that would otherwise be imposed by reason of willful misconduct, bad faith or negligence in the performance of duties or by reason of reckless disregard of obligations and duties under this Agreement. The Servicer and any director, officer, employee or agent of the Servicer may rely in good faith on the advice of its counsel and professional consultants, or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under this Agreement.

Except as provided in this Agreement, including but not limited to Sections 5.02(d) and (e), the Servicer shall not be under any obligation to appear in, prosecute or defend any legal action relating to the Default Property that is not directly related to one of the Servicer's enumerated duties in this Agreement or related to its obligation to pay Indemnified Losses, and that in its reasonable opinion may cause it to incur any expense or liability; provided, however, that the Servicer may, in respect of any Proceeding, undertake any action that it is not specifically identified in this Agreement as a duty of the Servicer but that the Servicer reasonably determines is necessary or desirable in order to protect the rights and interests of the Issuer or the Indenture Trustee under this Agreement and the Holders under this Agreement. The Servicer's costs and expenses incurred in connection with any such proceeding shall be payable from Default Charge Collections as an Operating Expense (and shall not be deemed to constitute a portion of the Servicing Fee) in accordance with the Indenture. The Servicer's obligations pursuant to this Section 6.04 shall survive and continue notwithstanding that payment of such Operating Expense may be reasonably delayed pursuant to the terms of the Indenture (it being understood that the Servicer may be required initially to advance its own funds to satisfy its obligations hereunder).

SECTION 6.05. ERCOT Not to Resign as Servicer. Subject to the provisions of Section 6.03, ERCOT shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement unless ERCOT delivers to the Indenture Trustee and the

Commission a binding judgment or opinion of external counsel to the effect that ERCOT's performance of its duties under this Agreement shall no longer be permissible under applicable law. No such resignation shall become effective until a successor Servicer shall have assumed the responsibilities and obligations of ERCOT in accordance with Section 7.02.

SECTION 6.06. Servicing Compensation. (a) In consideration for its services hereunder, until the Retirement of the Texas Stabilization M Bonds, the Servicer shall receive an annual fee (the "Servicing Fee") in an amount equal to (i) \$400,000 for so long as ERCOT or an Affiliate of ERCOT is the Servicer or (ii) if ERCOT or any of its Affiliates is not the Servicer, an amount agreed upon by the Successor Servicer and the Indenture Trustee provided, that any amount in excess of 0.60% of the aggregate initial principal amount of all Texas Stabilization M Bonds must be approved by the Commission and the Indenture Trustee. The Servicing Fee owing shall be paid semi-annually with half of the Servicing Fee being paid on each Payment Date. The Servicer also shall be entitled to receive or retain as additional compensation all late payment charges, if any, collected from QSEs or CRR account holders; provided, however, that if the Servicer has failed to remit the Daily Remittance to the General Subaccount of any Collection Account on the Servicer Business Day that such payment is to be made pursuant to Section 6.11 on more than three (3) occasions during the period that the Texas Stabilization M Bonds are outstanding, then thereafter the Servicer will be required to pay to the Indenture Trustee interest on each Daily Remittance accrued at the Federal Funds Rate from the Servicer Business Day on which such Daily Remittance was required to be made to the date that such Daily Remittance is actually made.

(b) The Servicing Fee set forth in Section 6.06(a) shall be paid to the Servicer by the Indenture Trustee, on each Payment Date in accordance with the priorities set forth in Section 8.02(e) of the Indenture, by wire transfer of immediately available funds from the Collection Account to an account designated by the Servicer. Any portion of the Servicing Fee not paid on any such date should be added to the Servicing Fee payable on the subsequent Payment Date. In no event shall the Indenture Trustee be liable for the payment of any Servicing Fee or other amounts specified in this Section 6.06; provided that this Section 6.06 does not relieve the Indenture Trustee of any duties it has to allocate funds for payment for such fees in accordance with the terms of the Indenture.

(c) Except as expressly provided elsewhere in this Agreement, the Servicer shall be required to pay from its own account expenses incurred by the Servicer in connection with its activities hereunder (including any fees to and disbursements by accountants, counsel, or any other Person, any taxes imposed on the Servicer and any expenses incurred in connection with reports to Holders) out of the compensation retained by or paid to it pursuant to this Section 6.06, and shall not be entitled to any extra payment or reimbursement therefor.

(d) The foregoing Servicing Fees constitute a fair and reasonable price for the obligations to be performed by the Servicer. Such Servicing Fee shall be determined without regard to the income of the Issuer, shall not be deemed to constitute distributions to the recipient of any profit, loss or capital of the Issuer and shall be considered a fixed Operating Expense of the Issuer subject to the limitations on such expenses set forth in the Debt Obligation Order.

SECTION 6.07. Compliance with Applicable Law. The Servicer covenants and agrees, in servicing the Default Property, to comply in all material respects with all laws applicable to, and binding upon, the Servicer and relating to the Default Property the noncompliance with which would have a material adverse effect on the value of the Default Property; provided, however, that the foregoing is not intended to, and shall not, impose any liability on the Servicer for noncompliance with any Requirement of Law that the Servicer is contesting in good faith in accordance with its customary standards and procedures.

SECTION 6.08. Access to Certain Records and Information Regarding Default Property. The Servicer shall provide to the Indenture Trustee access to the Default Property Records as is reasonably required for the Indenture Trustee to perform its duties and obligations under the Indenture and the other Basic Documents to which it is a party or otherwise bound, and shall provide access to such records to the Holders as required by applicable law. Access shall be afforded without charge, but only upon reasonable request and during normal business hours at the offices of the Servicer. Nothing in this Section 6.08 shall affect the obligation of the Servicer to observe any applicable law or Commission Regulation prohibiting disclosure of information and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 6.08.

SECTION 6.09. Appointments. The Servicer may at any time appoint any Person to perform all or any portion of its obligations as Servicer hereunder; provided, however, that when and if applicable, the Rating Agency Condition shall have been satisfied in connection therewith, as applicable, the Servicer shall remain obligated and be liable under this Agreement for the servicing and administering of the Default Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such Person and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Default Property. The fees and expenses of any such Person shall be as agreed between the Servicer and such Person from time to time and none of the Issuer, the Indenture Trustee, the Holders or any other Person shall have any responsibility therefor or right or claim thereto. Any such appointment shall not constitute a Servicer resignation under Section 6.05.

SECTION 6.10. No Servicer Advances. The Servicer shall not make any advances of interest on or principal of the Texas Stabilization M Bonds.

SECTION 6.11. Remittances. (a) On each Servicer Business Day, commencing thirty-five (35) days after the Closing Date, the Servicer shall remit to the General Subaccount of the Collection Account the total Default Charge Payments estimated to have been received by the Servicer from QSEs and CRR account holders on such Servicer Business Day in respect of all previously billed Default Charges (the "Daily Remittance"), which Daily Remittance shall be calculated according to the procedures set forth in Annex I and shall be remitted as soon as reasonably practicable but in no event later than the second Servicer Business Day after such payments are estimated to have been received. Prior to each remittance to the General Subaccount of the Collection Account pursuant to this Section 6.11, the Servicer shall provide written notice to the Indenture Trustee of each such remittance (including the exact dollar amount to be remitted). The Servicer shall also, promptly upon receipt, remit to the Collection Account any other proceeds of the Texas Stabilization M Bond Collateral which it may receive from time to time.

(b) The Servicer agrees and acknowledges that it holds all Default Charge Payments collected by it and any other proceeds for the Texas Stabilization M Bond Collateral received by it for the benefit of the Indenture Trustee and the Holders and that all such amounts will be remitted by the Servicer in accordance with this Section 6.11 without any surcharge, fee, offset, charge or other deduction except (i) as set forth in clause (c) below and (ii) for late fees permitted by Section 6.06. The Servicer further agrees not to make any claim to reduce its obligation to remit all Default Charge Payments collected by it in accordance with this Agreement except (i) as set forth in clause (c) below and (ii) for late fees permitted by Section 6.06.

(c) On or before the twenty-fifth (25th) calendar day of each calendar month (or, if such day is not a Servicer Business Day, the immediately preceding Servicer Business Day) commencing with May 15, 2022 the Servicer shall calculate the amount of any Remittance Shortfall or Excess Remittance for the first Collection Period of the immediately preceding Reconciliation Period, shall allocate such Remittance Shortfall or Excess Remittance ratably based on the Default Charges billed for such Reconciliation Period, and (A) if a Remittance Shortfall exists, the Servicer shall make a supplemental remittance, to the General Subaccount of the Collection Account within two (2) Servicer Business Days, or (B) if an Excess Remittance exists, the Servicer shall be entitled either (i) to reduce the amount of each Daily Remittance which the Servicer subsequently remits to the General Subaccount of the Collection Account for application to the amount of such Excess Remittance until the balance of such Excess Remittance has been reduced to zero, the amount of such reduction becoming the property of the Servicer or (ii) so long as such withdrawal would not cause the amounts on deposit in the General Subaccount or the Excess Funds Subaccount to be insufficient for the payment of the next installment of interest on the Texas Stabilization M Bonds or principal due at maturity on the next Payment Date or upon acceleration on or before the next Payment Date, to be paid immediately from the General Subaccount or Excess Funds Subaccount the amount of such Excess Remittance, such payment becoming the property of the Servicer. If there is a Remittance Shortfall, the amount which the Servicer remits to the General Subaccount of the Collection Account on the relevant date set forth above shall be increased by the amount of such Remittance Shortfall, such increase coming from the Servicer's own funds.

(d) Unless otherwise directed to do so by the Issuer, the Servicer shall be responsible for selecting Eligible Investments in which the funds in each Collection Account shall be invested pursuant to Section 8.03 of the Indenture.

ARTICLE VII DEFAULT

SECTION 7.01. Servicer Default. If any one or more of the following events (a "Servicer Default") shall occur and be continuing:

(a) any failure by the Servicer to remit to the Collection Account on behalf of the Issuer any required remittance that shall continue unremedied for a period of five (5) Business Days after written notice of such failure is received by the Servicer from the Issuer or the Indenture Trustee or after discovery of such failure by an officer of the Servicer; or

(b) any failure on the part of the Servicer or, so long as the Servicer is ERCOT or an Affiliate thereof, any failure on the part of ERCOT, as the case may be, duly to observe or to perform in any material respect any covenants or agreements of the Servicer or ERCOT, as the case may be, set forth in this Agreement (other than as provided in clause (a) of this Section 7.01) or any other Basic Document to which it is a party, which failure shall (i) materially and adversely affect the rights of the Holders and (ii) continue unremedied for a period of sixty (60) days after the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer or ERCOT, as the case may be, by the Issuer (with a copy to the Indenture Trustee) or to the Servicer or ERCOT, as the case may be, by the Indenture Trustee or (B) such failure is discovered by an officer of the Servicer; or

(c) any failure by the Servicer duly to perform its obligations under Section 4.01(b) of this Agreement in the time and manner set forth therein, which failure continues unremedied for a period of five (5) days; or

(d) any representation or warranty made by the Servicer in this Agreement or any Basic Document shall prove to have been incorrect in a material respect when made, which has a material adverse effect on the Holders and which material adverse effect continues unremedied for a period of sixty (60) days after the date on which (A) written notice thereof, requiring the same to be remedied, shall have been delivered to the Servicer (with a copy to the Indenture Trustee) by the Issuer or the Indenture Trustee or (B) such failure is discovered by an officer of the Servicer; or

(e) an Insolvency Event occurs with respect to the Servicer or ERCOT;

then, and in each and every case, so long as the Servicer Default shall not have been remedied, either the Indenture Trustee may, or shall upon the instruction of the Commission (acting on behalf of Obligated MPs) or of Holders evidencing not less than a majority of the Outstanding Amount of the Texas Stabilization M Bonds, by notice then given in writing to the Servicer (and to the Indenture Trustee if given by the Holders) (a "Termination Notice"), terminate all the rights and obligations (other than the obligations set forth in Section 6.02 and the obligation under Section 7.02 to continue performing its functions as Servicer until a successor Servicer is appointed) of the Servicer under this Agreement. In addition, upon a Servicer Default described in Section 7.01(a), the Holders and the Indenture Trustee as financing parties under the Securitization Law (or any of their representatives) shall be entitled to (i) apply to the district court of Travis County for sequestration and payment of revenues arising with respect to the Default Property, (ii) foreclose on or otherwise enforce the lien and security interests in any Default Property and (iii) apply to the Commission for an order that amounts arising from the Default Charges be transferred to a separate account for the benefit of the Secured Parties, in accordance with the Securitization Law. On or after the receipt by the Servicer of a Termination Notice, all authority and power of the Servicer under this Agreement, whether with respect to the Texas Stabilization M Bonds, the Default Property, the Default Charges or otherwise, shall, without further action, pass to and be vested in such successor Servicer as may be appointed under Section 7.02; and, without limitation, the Indenture Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of the Default Property Records and related documents, or otherwise. The predecessor Servicer shall

cooperate with the successor Servicer, the Issuer and the Indenture Trustee in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement, including the transfer to the successor Servicer for administration by it of all Default Property Records and all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the Default Property or the Default Charges. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the Default Property Records to the successor Servicer. In case a successor Servicer is appointed as a result of a Servicer Default, all reasonable costs and expenses (including reasonable attorney's fees and expenses) incurred in connection with transferring the Default Property Records to the successor Servicer and amending this Agreement to reflect such succession as Servicer pursuant to this Section 7.01 shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses. Termination of ERCOT as Servicer shall not terminate ERCOT's rights or obligations under the applicable Sale Agreement (except rights thereunder deriving from its rights as the Servicer hereunder).

SECTION 7.02. Appointment of Successor.

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 7.01 or the Servicer's resignation or removal in accordance with the terms of this Agreement, the predecessor Servicer shall continue to perform its functions as Servicer under this Agreement, and shall be entitled to receive the requisite portion of the Servicing Fee, until a successor Servicer shall have assumed in writing the obligations of the Servicer hereunder as described below. In the event of the Servicer's removal or resignation hereunder, the Indenture Trustee may, or, at the written direction and with the consent of the Holders of at least a majority of the Outstanding Amount of the Texas Stabilization M Bonds, shall, appoint a successor Servicer with the Issuer's prior written consent thereto (which consent shall not be unreasonably withheld), and the successor Servicer shall accept its appointment by a written assumption in form reasonably acceptable to the Issuer, the Initial Purchaser, and the Indenture Trustee and provide prompt written notice of such assumption to the Issuer, the Initial Purchaser, and as applicable, to the Rating Agencies. If within thirty (30) days after the delivery of the Termination Notice, a new Servicer shall not have been appointed, the Indenture Trustee may petition the Commission or a court of competent jurisdiction to appoint a successor Servicer under this Agreement. A Person shall qualify as a successor Servicer only if (i) such Person is permitted under Commission Regulations to perform the duties of the Servicer, (ii) as applicable, the Rating Agency Condition shall have been satisfied and (iii) such Person enters into a servicing agreement with the Issuer having substantially the same provisions as this Agreement (as the Texas Stabilization M Bond Servicer). In no event shall the Indenture Trustee be liable for its appointment of a successor Servicer. The Indenture Trustee's expenses incurred under this Section 7.02(a) shall be at the sole expense of the Issuer and payable from the Collection Account as provided in Section 8.02 of the Indenture.

(b) Upon appointment, the successor Servicer shall be the successor in all respects to the predecessor Servicer and shall be subject to all the responsibilities, duties and liabilities arising thereafter relating thereto placed on the predecessor Servicer and shall be entitled to the Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

SECTION 7.03. Waiver of Past Defaults. The Commission, together with Holders evidencing not less than a majority of the Outstanding Amount of the Texas Stabilization M Bonds may, on behalf of all Holders, direct the Indenture Trustee to waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default in making any required deposits to the Collection Account in accordance with this Agreement. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Promptly after the execution of any such waiver, the Servicer shall furnish copies of such waiver to each of the Rating Agencies.

SECTION 7.04. Notice of Servicer Default. The Servicer shall deliver to the Issuer, the Indenture Trustee, the Commission, and as applicable, the Rating Agencies, promptly after having obtained knowledge thereof, but in no event later than five (5) Business Days thereafter, written notice of any event which with the giving of notice or lapse of time, or both, would become a Servicer Default under Section 7.01.

SECTION 7.05. Cooperation with Successor. The Servicer covenants and agrees with the Issuer that it will, on an ongoing basis, cooperate with the successor Servicer and provide whatever information is, and take whatever actions are, reasonably necessary to assist the successor Servicer in performing its obligations hereunder.

ARTICLE VIII MISCELLANEOUS PROVISIONS

SECTION 8.01. Amendments. (a) This Agreement may be amended in writing by the Servicer and the Issuer with the prior written consent of the Indenture Trustee, and as applicable, the satisfaction of the Rating Agency Condition; subject, however, to Section 8.02 (if applicable); and provided that any such amendment may not adversely affect the interest of any Holder in any material respect without the consent of the Holders of a majority of the outstanding principal amount of the Texas Stabilization M Bonds. Promptly after the execution of any such amendment or consent, the Issuer shall furnish copies of such amendment or consent, when and if applicable, to each of the Rating Agencies as applicable.

In addition, this Agreement may be amended in writing by the Servicer and the Issuer with ten Business Days' prior written notice given, when and if applicable, to the Rating Agencies and the prior written consent of the Indenture Trustee (which consent shall be given in reliance on an Opinion of Counsel and an Officer's Certificate stating that such amendment is permitted or authorized under and adopted in accordance with the provisions of this Agreement and that all conditions precedent have been satisfied, upon which the Indenture Trustee may conclusively rely) and, if the contemplated amendment may in the judgment of the Commission increase ongoing Qualified Costs; subject, however, to Section 8.02 (if applicable); but without the consent of any of the Holders, (i) to cure any ambiguity, to correct or supplement any provisions in this Agreement or for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in this Agreement or of modifying in any manner the rights of the Holders; provided, however, that such action shall not, as evidenced by an Officer's Certificate delivered to the Issuer, the Initial Purchaser, and the Indenture Trustee, adversely affect in any material respect the

interests of any Holder; or (ii) to conform the provisions hereof to the description of this Agreement in the Placement Agreement. Promptly after the execution of any such amendment or consent, the Issuer shall furnish copies of such amendment or consent to the each of the Rating Agencies as applicable.

Prior to the execution of any amendment to this Agreement, the Issuer, the Initial Purchaser, and the Indenture Trustee shall be entitled to receive and conclusively rely upon an Opinion of Counsel of external counsel stating that such amendment is authorized or permitted by this Agreement and that all conditions precedent have been satisfied and upon the Opinion of Counsel from external counsel referred to in Section 3.01(c)(i). None of the Servicer, Issuer or the Indenture Trustee shall be obligated to, enter into any such amendment which affects their own rights, duties, indemnities or immunities under this Agreement or otherwise.

(b) Notwithstanding Section 8.01(a) or anything to the contrary in this Agreement, the Servicer and the Issuer may amend Annex I to this Agreement in writing with prior written notice given to the Indenture Trustee and as applicable the Rating Agencies, but without the consent of the Indenture Trustee, any Rating Agency as applicable, or any Holder, solely to address changes to the Servicer's method of calculating Default Charges as a result of changes to the Servicer's current computerized information system, including changes which would replace the remittances contemplated by the estimation procedures set forth in Annex I with remittances of Default Charges determined to have been actually received; provided that any such amendment shall not have a material adverse effect on the Holders of then Texas Stabilization M Bonds as evidenced by an Officer's Certificate of the Issuer.

(c) If the Commission adopts a rule or regulation or if ERCOT revises its Default Charge Protocols, the effect of which is to modify or supplement any provision of this Agreement related to the assessment, collection or remittance of Default Charges, this Agreement will be deemed so modified or supplemented on the effective date of such rule or regulation in the manner necessary to comply therewith without the necessity of any further action by any party hereto; provided that (i) as applicable the Rating Agency Condition has been satisfied, (ii) the Servicer shall notify the Issuer, the Initial Purchaser, and the Indenture Trustee in writing of such modification or supplement and delivered an Opinion of Counsel as described in the second paragraph of Section 8.01(a) and (iii) neither the Issuer nor the Indenture Trustee shall be bound by any such modification to the extent it affects their own rights, duties, indemnities or immunities under this Agreement or otherwise.

(d) It shall not be necessary for the consent of Holders pursuant to this Article to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof.

(e) Any Opinion of Counsel may be based, insofar as it relates to factual matters (including financial and capital markets), upon a certificate or opinion of, or representations by, an officer or officers of the Servicer or the Issuer and other documents necessary and advisable in the judgment of counsel delivering such opinion.

SECTION 8.02. Commission Condition. Notwithstanding anything to the contrary in Section 8.01(a), no amendment or modification of this Agreement that may have the effect of

increasing Operating Expenses shall be effective unless the process set forth in this Section 8.02 has been followed.

(a) At least thirty-one (31) days prior to the effectiveness of any such amendment or modification and after obtaining the other necessary approvals set forth in Section 8.01(a) (except that the consent of the Indenture Trustee may be subject to the consent of Holders if such consent is required or sought by the Indenture Trustee in connection with such amendment or modification), the Servicer shall have delivered to the Commission's executive director and general counsel written notification of any proposed amendment, which notification shall contain:

- (i) a reference to Docket No. 52709;
- (ii) an Officer's Certificate stating that the proposed amendment or modification has been approved by all parties to this Agreement;
- (iii) a statement identifying the person to whom the Commission or its staff is to address any response to the proposed amendment or modification or to request additional time; and
- (iv) a statement as to the possible effect of the amendment or modification on the ongoing Qualified Costs.

(b) Any amendment submitted to the Commission pursuant to this Section 8.02 shall become effective immediately upon the later of: (i) the date proposed by the parties to the amendment or (ii) thirty-one (31) days after such submission to the Commission, and in either case the Commission shall be conclusively deemed to have consented to the proposed amendment or modification, unless the Commission issues an order disapproving such amendment.

Unless, within thirty (30) days of receiving the notification complying with Section 8.02(a), the Commission or its staff delivers to the office of the person specified in Section 8.02(a)(iii) a written statement requesting an additional amount of time not to exceed thirty (30) days in which to consider whether to consent to the proposed amendment or modification. If the Commission or its staff requests an extension of time in the manner set forth in the preceding sentence, then the Commission shall either provide notice of its consent or lack of consent or notice of its determination that the proposed amendment or modification will not under any circumstances increase ongoing Qualified Costs to the person specified in Section 8.02(a)(iii) no later than the last day of such extension of time or be conclusively deemed to have consented to the proposed amendment or modification on the last day of such extension of time. Any amendment or modification requiring the consent of the Commission shall become effective on the later of (i) the date proposed by the parties to such amendment or modification and (ii) the first day after the expiration of the thirty (30)-day period provided for in this Section 8.02(b), or, if such period has been extended pursuant hereto, the first day after the expiration of such period as so extended.

(c) Following the delivery of a notice to the Commission by the Servicer under Section 8.02(a), the Servicer and the Issuer shall have the right at any time to withdraw from the Commission further consideration of any notification of a proposed amendment. Such withdrawal shall be evidenced by the Servicer's giving prompt written notice thereof to the Commission, the Issuer, the Initial Purchaser, and the Indenture Trustee.

SECTION 8.03. Maintenance of Accounts and Records. (a) The Servicer shall maintain accounts and records as to the Default Property accurately and in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between Default Charge Payments received by the Servicer and Default Charge Collections from time to time deposited in the Collection Account.

(b) The Servicer shall permit the Indenture Trustee and its agents at any time during normal business hours, upon reasonable notice to the Servicer and to the extent it does not unreasonably interfere with the Servicer's normal operations, to inspect, audit and make copies of and abstracts from the Servicer's records regarding the Default Property and the Default Charges. Nothing in this Section 8.03(b) shall affect the obligation of the Servicer to observe any applicable law or Commission Regulation prohibiting disclosure of information and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 8.03(b).

SECTION 8.04. Notices. Unless otherwise specifically provided herein, all demands, notices and communications upon or to the Servicer, the Issuer or the Indenture Trustee or as applicable the Rating Agencies under this Agreement shall be sufficiently given for all purposes hereunder if in writing and delivered personally, sent by documented delivery service or, to the extent receipt is confirmed telephonically, sent by telecopy or other form of electronic transmission:

(a) in the case of the Servicer, to Electric Reliability Council of Texas Inc., at 7620 Metro Center Drive, Austin, Texas 78744, Attention: Treasurer, Telephone: (512) 225-7000;

(b) in the case of the Issuer, to Texas Electric Market Stabilization Funding M LLC at 7620 Metro Center Drive, Austin, Texas 78744, Attention: General Counsel, Telephone: (512) 225-7000;

(c) in the case of the Indenture Trustee, to the Corporate Trust Office;

(d) in the case of the Commission, at Public Utility Commission of Texas at PO Box 13326 Austin, Texas 78711-3326, Attention: Executive Director and General Counsel, Telephone: (512) 936-7000;

(e) in the case of Moody's, to: Moody's Investors Service, Inc., ABS/RMBS Monitoring Department, 25th Floor, 7 World Trade Center, 250 Greenwich, New York, New York 10007, Email: ServicerReports@moody.com (all such notices to be delivered to Moody's in writing by email), and solely for purposes of Rating Agency Condition communications: abscormonitoring@moody.com;

(f) in the case of Standard & Poor's, to Standard & Poor's Ratings Group, Inc., Structured Credit Surveillance, 55 Water Street, New York, New York 10041, Telephone: (212) 438-8991, Email: servicer_reports@spglobal.com (all such notices to be delivered to Standard & Poor's in writing by email); or

(g) as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

SECTION 8.05. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 6.03 and as provided in the provisions of this Agreement concerning the resignation of the Servicer, this Agreement may not be assigned by the Servicer.

SECTION 8.06. Limitations on Rights of Others. The provisions of this Agreement are solely for the benefit of the Servicer and the Issuer and, to the extent provided herein or in the Basic Documents, the Commission (whether on its own behalf or on behalf of any Obligated MP), the Indenture Trustee and the Holders (but subject to the limitation on the rights of Holders in Section 5.06 of the Indenture), and the other Persons expressly referred to herein, and such Persons shall have the right to enforce the relevant provisions of this Agreement. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Default Property or Texas Stabilization M Bond Collateral or under or in respect of this Agreement or any covenants, conditions or provisions contained herein. Notwithstanding anything to the contrary contained herein, for the avoidance of doubt, any right, remedy or claim to which any Obligated MP may be entitled pursuant to the Debt Obligation Order and to this Agreement may be asserted or exercised only by the Commission (or by the Attorney General of the State of Texas in the name of the Commission) for the benefit of such Obligated MP.

SECTION 8.07. Independent Contractor/Separate Entities. For all purposes of this Agreement, the Servicer shall be an independent contractor and shall not be subject to the supervision of the Issuer with respect to the manner in which it accomplishes the performance of its obligations hereunder. Unless expressly authorized by the Issuer or this Agreement, the Service shall have no authority, and shall not hold itself out as having the authority, to act for or represent the Issuer in any way and shall not otherwise be deemed an agent of the Issuer. The Servicer will correct any misunderstanding or confusion by third parties about the role of the Servicer for any actions taken on behalf of the Issuer pursuant to this Agreement. The Servicer will not hold itself out to be the Issuer nor that any property of the Issuer is the property of the Servicer, but Servicer will at all times recognize that it is an entity separate from Issuer.

SECTION 8.08. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remainder of such provision (if any) or the remaining provisions hereof (unless such a construction shall be unreasonable), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 8.09. Rights of Initial Purchaser. The obligation to provide information to or consult or obtain consent from the Initial Purchaser arising in this Agreement end when the Initial Purchaser no longer owns any of the Texas Stabilization M Bonds.

SECTION 8.10. Separate Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 8.11. Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 8.12. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 8.13. Assignment to Indenture Trustee. (a) The Servicer hereby acknowledges and consents to any mortgage, pledge, assignment and grant of a security interest by the Issuer to the Indenture Trustee for the benefit of the Secured Parties pursuant to the Indenture of any or all of the Issuer's rights hereunder and (b) in no event shall the Indenture Trustee have any liability for the representations, warranties, covenants, agreements or other obligations of the Issuer hereunder or in any of the certificates delivered pursuant hereto, as to all of which any recourse shall be had solely to the assets of the Issuer subject to the availability of funds therefor under Section 8.02 of the Indenture.

SECTION 8.14. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement or the Indenture, the Servicer shall not, prior to the date which is one year and one day after the satisfaction and discharge of the Indenture, acquiesce, petition or otherwise invoke or cause the Issuer to invoke or join with any Person in provoking the process of any Governmental Authority for the purpose of commencing or sustaining an involuntary case against the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer or ordering the dissolution, winding up or liquidation of the affairs of the Issuer.

SECTION 8.15. Limitation of Liability. It is expressly understood and agreed by the parties hereto that this Agreement is executed and delivered by the Indenture Trustee, not individually or personally but solely as Indenture Trustee in the exercise of the powers and authority conferred and vested in it, and that the Indenture Trustee, in acting hereunder, is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Indenture.

SECTION 8.16. Rule 17g-5 Compliance. The Servicer agrees that as applicable any notice, report, request for satisfaction of the Rating Agency Condition, document or other information provided by the Servicer to any Rating Agency under this Agreement or any other Basic Document to which it is a party for the purpose of determining the initial credit rating of the Texas Stabilization M Bonds or undertaking credit rating surveillance of the Texas Stabilization M Bonds with any Rating Agency, or satisfy the Rating Agency Condition, shall be substantially concurrently posted by the Servicer on the 17g-5 Website.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

**TEXAS ELECTRIC MARKET STABILIZATION
FUNDING M LLC,**
a Delaware limited liability company

By: STh
Sean Taylor
Vice President and Chief Financial Officer

ELECTRIC RELIABILITY COUNCIL OF TEXAS INC.,
as Servicer

By: STh
Sean Taylor
Vice President and Chief Financial Officer

ACKNOWLEDGED AND ACCEPTED:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: Michael K. Herberger
Name: Michael K. Herberger
Title: Vice President



*Signature Page to
Servicing Agreement*

EXHIBIT A
MONTHLY SERVICER'S CERTIFICATE

See Attached.

EXHIBIT A

Remittance Dates: _____ - _____

Monthly Servicer's Certificate

(to be delivered each month pursuant to Section 3.01(b)(i) of the Default Property Servicing Agreement)

TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC

Electric Reliability Council of Texas Inc., as Servicer

Pursuant to the Default Property Servicing Agreement dated as of November [___], 2021 (the "Default Property Servicing Agreement") between Electric Reliability Council of Texas Inc., as Servicer, and Texas Electric Market Stabilization Funding M LLC, as Issuer, the Servicer does hereby certify as follows:

Collection Period: _____

Remittance Dates: _____

a. Default Charges per MWh	b. Billed	c. Estimated Payments Received	e. Actual Payments Received	f. Remittance Shortfall for this Collection	g. Excess Remittance for this Collection
\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

h. Daily remittances previously made by the Servicer to the Collection Account in respect of this Collection Period (c):	\$ _____
i. The amount to be remitted by the Servicer to the Collection Account for this Collection Period is (c + f - g):	\$ _____
j. If (i>h), (i-h) equals net amount due from the Servicer to the Collection Amount:	\$ _____
k. If (h>i), (h-i) equals net amount due to the Servicer from the Collection Amount:	\$ _____

Capitalized terms used herein have their respective meanings set forth in the Default Property Servicing Agreement.

In WITNESS HEREOF, the undersigned has duly executed and delivered this Monthly Servicer's Certificate the _____ day of _____.

ELECTRIC RELIABILITY COUNCIL OF TEXAS INC., as
Servicer

Title: Assistant Treasurer

EXHIBIT B

FORM OF SERVICER'S PAYMENT CERTIFICATE

EXHIBIT B

EXHIBIT B

FORM OF SERVICER'S PAYMENT CERTIFICATE

Pursuant to Section 4.01(e)(ii) of the Default Property Servicing Agreement, dated as of November [___], 2021 (the "Servicing Agreement"), between, Electric Reliability Council of Texas Inc., as Servicer and Texas Electric Market Stabilization Funding M LLC, as Issuer, the Servicer does hereby certify, for the _____, 20__ Payment Date (the "Current Payment Date"), as follows:

Capitalized terms used herein have their respective meanings as set forth in the Indenture. References herein to certain sections and subsections are references to the respective sections of the Servicing Agreement or the Indenture, as the context indicates.

Collection Periods: _____ to _____

Payment Date: _____

1. *Collections Allocable and Aggregate Amounts Available for the Current Payment Date:*

- | | | |
|------|---|----------|
| i. | Remittances for the ____ Collection Period ¹ | \$ _____ |
| ii. | Remittances for the ____ Collection Period | \$ _____ |
| iii. | Remittances for the ____ Collection Period | \$ _____ |
| iv. | Remittances for the ____ Collection Period | \$ _____ |
| v. | Remittances for the ____ Collection Period | \$ _____ |
| vi. | Remittances for the ____ Collection Period ² | \$ _____ |

Investment Earnings on Collection Account

- | | | |
|-------|--|----------|
| vii. | Investment Earnings on General Subaccount | \$ _____ |
| viii. | Investment Earnings on Debt Service Reserve Subaccount | \$ _____ |
| ix. | Investment Earnings on Supplemental Capital Subaccount | \$ _____ |
| x. | Investment Earnings on Excess Funds Subaccount | \$ _____ |

General Subaccount Balance (sum of i through x above) \$ _____

- | | | |
|-------|--|----------|
| xi. | Debt Service Reserve Subaccount Balance as of Prior Payment Date | \$ _____ |
| xii. | Supplemental Capital Subaccount Balance as of Prior Payment Date | \$ _____ |
| xiii. | Excess Funds Subaccount Balance as of Prior Payment Date | \$ _____ |

Collection Account Balance (sum of xi through xiii above) \$ _____

¹ Includes amounts calculated for the Reconciliation Period for the prior Collection Period, which was settled in [month-date].

² Does not include the reconciliation amounts calculated for the Reconciliation Period for such Collection Period, which will be settled in the month following such Collection Period.

2. *Outstanding Amounts of as of Prior Payment Date* \$ _____

3. *Required Funding/Payments as of Current Payment Date:* \$ _____

Series 2021 Periodic Principal Due \$ _____

	<u>Rate</u>	<u>Days in Interest</u> <u>Period</u> ³	<u>Principal Balance</u>	<u>Interest Due</u>
Series 2021 Interest	_____ %	_____	\$ _____	\$ _____

	<u>Required Level</u>	<u>Funding</u> <u>Required</u>
Debt Service Reserve Subaccount	\$ _____	\$ _____

	<u>Required Level</u>	<u>Funding</u> <u>Required</u>
Supplemental Capital Subaccount	\$ _____	\$ _____

4. *Allocation of Remittances as of Current Payment Date Pursuant to 8.02(e) of Indenture*

i. Trustee Fees and Expenses; Indemnity Amounts	\$ _____
ii. Servicing Fee	\$ _____
iii. Administration Fee	\$ _____
iv. Ordinary and periodic Operating Expenses	\$ _____
v. Periodic Interest (including any past-due for prior periods)	\$ _____
vi. Principal Due & Payable as a Result of an Event of Default or at Final Maturity	\$ _____
vii. Periodic Principal	\$ _____

	<u>Aggregate</u>	<u>Per \$1000 of Original</u> <u>Principal Amount</u>
Series 2021 Periodic Interest Payment	\$ _____	\$ _____

	<u>Aggregate</u>	<u>Per \$1000 of Original</u> <u>Principal Amount</u>
Principal Due & Payable as a Result of an Event of Default or at Final Maturity	\$ _____	\$ _____

	<u>Aggregate</u>	<u>Per \$1000 of Original</u> <u>Principal Amount</u>
--	------------------	--

³ On 30/360 day basis for initial payment date; otherwise use one-half of annual rate.

Series 2021 Periodic Principal Payment \$ _____ \$ _____

viii. Funding of Debt Service Reserve Subaccount (to required level)	\$ _____
ix. Investment Earnings on Debt Service Reserve Subaccount Released to Issuer	\$ _____
viii. Funding of Supplemental Capital Subaccount (to required level)	\$ _____
ix. Investment Earnings on Supplemental Capital Subaccount Released to Issuer	\$ _____
x. Deposit to Excess Funds Subaccount	\$ _____
xi. Investment Earnings on Excess Funds Subaccount	\$ _____
xii. Released to Issuer upon Retirement of all Notes	\$ _____
Aggregate Remittances as of Current Payment Date	\$ _____

5 *Subaccount Withdrawals as of Current Payment (if applicable, pursuant to Section 8.02(e) of Indenture:*

i. Debt Service Reserve Subaccount	\$ _____
ii. Supplemental Capital Subaccount	\$ _____
iii. Excess Funds Subaccount	\$ _____
Total Withdrawals	\$ _____

6 *Outstanding Amount and Collection Account Balance as of Current Payment Date (after giving effect to payments to be made on such Payment Date):*

i. Series 2021 Outstanding Amount	\$ _____
ii. Debt Service Reserve Subaccount Balance	\$ _____
iii. Supplemental Capital Subaccount Balance	\$ _____
iv. Excess Funds Subaccount Balance	\$ _____
Aggregate Collection Account Balance	\$ _____

7. *Shortfalls in Interest and Principal Payments as of Current Payment Date*

i. Periodic Interest Payment	\$ _____
ii. Periodic Principal Payment	\$ _____

8. *Shortfalls in Required Subaccount Levels as of Current Payment Date*

i. Debt Service Reserve Subaccount	\$ _____
ii. Supplemental Capital Subaccount	\$ _____

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Servicer's Payment Certificate this ____ day of _____.

ELECTRIC RELIABILITY COUNCIL OF TEXAS INC.,
as Servicer

By: _____
Name: _____
Title: _____

SCHEDULE 4.01(a)**EXPECTED AMORTIZATION SCHEDULE**

Date	Bond Payments	Ongoing Costs	Supplemental Capital Subaccount Deposits	Total Nominal Default Charge Requirement	Present Value of Default Charges
8/1/2022	\$21,337,656	\$441,750	\$500,000	\$22,279,406	\$21,811,827.12
2/1/2023	21,484,906	294,500	500,000	22,279,406	21,492,661.10
8/1/2023	21,484,906	294,500	500,000	22,279,406	21,178,165.34
2/1/2024	21,484,906	294,500	500,000	22,279,406	20,868,271.51
8/1/2024	21,484,906	294,500	500,000	22,279,406	20,562,912.26
2/1/2025	21,484,906	294,500	500,000	22,279,406	20,262,021.25
8/1/2025	24,277,287	294,500	500,000	25,071,787	22,341,322.77
2/1/2026	24,277,287	294,500	500,000	25,071,787	21,890,380.92
8/1/2026	24,277,287	294,500	500,000	25,071,787	21,448,540.98
2/1/2027	24,277,287	294,500	500,000	25,071,787	21,015,619.22
8/1/2027	24,277,287	294,500	500,000	25,071,787	20,591,435.65
2/1/2028	24,277,287	294,500	500,000	25,071,787	20,175,813.88
8/1/2028	24,277,287	294,500	500,000	25,071,787	19,768,581.11
2/1/2029	24,277,287	294,500	500,000	25,071,787	19,369,568.01
8/1/2029	24,277,287	294,500	500,000	25,071,787	18,978,608.67
2/1/2030	24,277,287	294,500	500,000	25,071,787	18,595,540.53
8/1/2030	24,277,287	294,500	500,000	25,071,787	18,220,204.32
2/1/2031	24,277,287	294,500	500,000	25,071,787	17,852,443.98
8/1/2031	24,277,287	294,500	500,000	25,071,787	17,492,106.58
2/1/2032	24,277,287	294,500	500,000	25,071,787	17,139,042.31
8/1/2032	24,277,287	294,500	500,000	25,071,787	16,793,104.36
2/1/2033	24,277,287	294,500	500,000	25,071,787	16,454,148.89
8/1/2033	24,277,287	294,500	500,000	25,071,787	16,122,034.97
2/1/2034	24,277,287	294,500	500,000	25,071,787	15,796,624.51
8/1/2034	24,277,287	294,500	500,000	25,071,787	15,477,782.20
2/1/2035	24,277,287	294,500	500,000	25,071,787	15,165,375.46
8/1/2035	24,277,287	294,500	500,000	25,071,787	14,859,274.41
2/1/2036	24,277,287	294,500	500,000	25,071,787	14,559,351.76
8/1/2036	24,277,287	294,500	500,000	25,071,787	14,265,482.82
2/1/2037	24,277,287	294,500	500,000	25,071,787	13,977,545.38
8/1/2037	24,277,287	294,500	500,000	25,071,787	13,695,419.73

SCHEDULE 4.01(a)

2/1/2038	24,277,287	294,500	500,000	25,071,787	13,418,988.57
8/1/2038	24,277,287	294,500	500,000	25,071,787	13,148,136.95
2/1/2039	24,277,287	294,500	500,000	25,071,787	12,882,752.25
8/1/2039	24,277,287	294,500	500,000	25,071,787	12,622,724.14
2/1/2040	24,277,287	294,500	500,000	25,071,787	12,367,944.48
8/1/2040	24,277,287	294,500	500,000	25,071,787	12,118,307.35
2/1/2041	24,277,287	294,500	500,000	25,071,787	11,873,708.94
8/1/2041	24,277,287	294,500	500,000	25,071,787	11,634,047.56
2/1/2042	24,277,287	294,500	500,000	25,071,787	11,399,223.56
8/1/2042	24,277,287	294,500	500,000	25,071,787	11,169,139.29
2/1/2043	24,277,287	294,500	500,000	25,071,787	10,943,699.09
8/1/2043	24,277,287	294,500	500,000	25,071,787	10,722,809.22
2/1/2044	24,277,287	294,500	500,000	25,071,787	10,506,377.83
8/1/2044	24,277,287	294,500	500,000	25,071,787	10,294,314.95
2/1/2045	24,277,287	294,500	500,000	25,071,787	10,086,532.38
8/1/2045	24,277,287	294,500	500,000	25,071,787	9,882,943.74
2/1/2046	24,277,287	294,500	500,000	25,071,787	9,683,464.37
8/1/2046	24,777,287	294,500	0	25,071,787	9,488,011.34
2/1/2047	24,777,287	294,500	0	25,071,787	9,296,503.37
8/1/2047	24,777,287	294,500	0	25,071,787	9,108,860.84
2/1/2048	24,777,287	294,500	0	25,071,787	8,925,005.72
8/1/2048	24,777,287	294,500	0	25,071,787	8,744,861.57
2/1/2049	24,777,287	294,500	0	25,071,787	8,568,353.49
8/1/2049	24,777,287	294,500	0	25,071,787	8,395,408.08

SCHEDULE 4.01(a)

ANNEX I

[ERCOT's Default Charge Protocols follow this page]

Nodal Protocol Revision Request

NPRR Number	XXX	NPRR Title	Securitization Subchapter M Default Charges
Date Posted	TBD		

Requested Resolution	Urgent – Urgent status is necessary to provide Protocol support for processes that will be used to uplift securitization default charges.
Nodal Protocol Sections Requiring Revision	2.1, Definitions 9.1.2, Settlement Calendar 16.11.4.7 Credit Monitoring and Management Reports 26, Securitization Default Charges (New section)
Related Documents Requiring Revision/Related Revision Requests	None
Revision Description	This section establishes processes for invoicing and collateralization of obligations arising from provisions of Public Utility Regulatory Act (PURA) Subchapter M, Winter Storm Uri Default Balance Financing.
Reason for Revision	<input type="checkbox"/> Addresses current operational issues. <input type="checkbox"/> Meets Strategic goals (tied to the <u>ERCOT Strategic Plan</u> or directed by the ERCOT Board). <input type="checkbox"/> Market efficiencies or enhancements <input type="checkbox"/> Administrative <input checked="" type="checkbox"/> Regulatory requirements <input type="checkbox"/> Other: (explain) <i>(please select all that apply)</i>
Business Case	Describe qualitative benefits (Examples: satisfies regulatory requirements, data transparency enhancement, etc.), quantitative benefits (benefit calculations), impacts to market segments and other information relating to the impacts or benefits of the NPRR.

Sponsor	
Name	
E-mail Address	
Company	ERCOT
Phone Number	
Cell Number	

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Market Segment	NA
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Market Rules Staff Contact	
Name	
E-Mail Address	
Phone Number	

Proposed Protocol Language Revision

2.1 DEFINITIONS

Securitization Default Balance

The Securitization Default Balance is the amount of money ERCOT securitized under PURA Subchapter M, as defined in §39.602(1).

Securitization Default Charge

The Securitization Default Charge is the amount charged to wholesale Market Participants to repay the Securitization Default Balance, in accordance with PURA Subchapter M.

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;

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- (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;
 - (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
 - (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.

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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
 - (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 (New section to be redlined)

26.1 Overview

This section establishes processes for invoicing and collateralization of obligations arising from provisions of Public Utility Regulatory Act (PURA) Subchapter M, Winter Storm Uri Default Balance Financing.

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26.2 Securitization Default Charges

- (1) ERCOT shall collect monthly the total amount necessary to pay the Securitization Default Balance financial obligations from Qualified Scheduling Entities (QSEs) and Congestion Revenue Right (CRR) Account Holders.
- (2) Each Counter-Party's share of the charge is calculated using the best available Settlement data for each Operating Day in the most recent full calendar month for which ERCOT has Final Settlement data available, and is calculated as follows:

$$\text{SDCRSCP}_{cp} = \text{TSDCMA} * \text{SDCMMARS}_{cp}$$

Where:

$$\text{SDCMMARS}_{cp} = \text{SDCMMA}_{cp} / \text{SDCMMATOT}$$

$$\begin{aligned} \text{SDCMMA}_{cp} = \text{Max} \{ & \sum_{mp} (\text{SDCRTMG}_{mp} + \text{SDCRTDCIMP}_{mp}), \\ & \sum_{mp} (\text{SDCRTAML}_{mp} + \text{SDCWSLTOT}_{mp}), \\ & \sum_{mp} \text{SDCRTQQES}_{mp}, \\ & \sum_{mp} \text{SDCRTQQEP}_{mp}, \\ & \sum_{mp} \text{SDCDAES}_{mp}, \\ & \sum_{mp} \text{SDCDAEP}_{mp}, \\ & \sum_{mp} (\text{SDCRTOBL}_{mp} + \text{SDCRTOBLLO}_{mp}), \\ & \sum_{mp} (\text{SDCDAOPT}_{mp} + \text{SDCDAOBL}_{mp} + \text{SDCOPTS}_{mp} + \\ & \quad \text{SDCOBLS}_{mp}), \\ & \sum_{mp} (\text{SDCOPTP}_{mp} + \text{SDCOBLP}_{mp}) \} \end{aligned}$$

$$\text{SDCMMATOT} = \sum_{cp} (\text{SDCMMA}_{cp})$$

Where:

$$\text{SDCRTMG}_{mp} = \sum_{r, p, i} (\text{RTMG}_{mp, r, p, i}), \text{ excluding RTMG for Reliability Must-Run (RMR) Resources and RTMG in Reliability Unit Commitment (RUC)-Committed Intervals for RUC-committed Resources}$$

$$\text{SDCRTDCIMP}_{mp} = \sum_{p, i} (\text{RTDCIMP}_{mp, p, i}) / 4$$

$$\text{SDCRTAML}_{mp} = \max(0, \sum_{p, i} (\text{RTAML}_{mp, p, i}))$$

$$\text{SDCRTQQES}_{mp} = \sum_{p, i} (\text{RTQQES}_{mp, p, i}) / 4$$

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$$\text{SDCRTQQEP}_{mp} = \sum_{p, i} (\text{RTQQEP}_{mp, p, i}) / 4$$

$$\text{SDCDAES}_{mp} = \sum_{p, h} (\text{DAES}_{mp, p, h})$$

$$\text{SDCDAEP}_{mp} = \sum_{p, h} (\text{DAEP}_{mp, p, h})$$

$$\text{SDCRTOBL}_{mp} = \sum_{(j, k), h} (\text{RTOBL}_{mp, (j, k), h})$$

$$\text{SDCRTOBLLO}_{mp} = \sum_{(j, k), h} (\text{RTOBLLO}_{mp, (j, k), h})$$

$$\text{SDCDAOPT}_{mp} = \sum_{(j, k), h} (\text{OPT}_{mp, (j, k), h})$$

$$\text{SDCDAOBL}_{mp} = \sum_{(j, k), h} (\text{DAOBL}_{mp, (j, k), h})$$

$$\text{SDCOPTS}_{mp} = \sum_{(j, k), h} (\text{OPTS}_{mp, (j, k), h})$$

$$\text{SDCOBLS}_{mp} = \sum_{(j, k), h} (\text{OBLS}_{mp, (j, k), h})$$

$$\text{SDCOPTP}_{mp} = \sum_{(j, k), h} (\text{OPTP}_{mp, j, h})$$

$$\text{SDCOBLP}_{mp} = \sum_{(j, k), h} (\text{OBLP}_{mp, (j, k), h})$$

$$\text{SDCWSLTOT}_{mp} = (-1) * \sum_{r, b} (\text{MEBL}_{mp, r, b})$$

The above variables are defined as follows:

Variable	Unit	Definition
SDCRSCP_{cp}	\$	<i>Securitization Default Charge Ratio Share per Counter-Party</i> —The Counter-Party's pro rata portion of the total Securitization Charges for a month.
TSDCMA	\$	<i>Total Securitization Default Charge Monthly Amount</i> —The total monthly charge calculated by ERCOT to be collected through the Invoice process for Securitization Default Charges.
SDCMMARS_{cp}	None	<i>Securitization Default Charge Maximum MWh Activity Ratio Share</i> —The Counter-Party's pro rata share of Maximum MWh Activity.
SDCMMA_{cp}	MWh	<i>Securitization Default Charge Maximum MWh Activity</i> —The maximum MWh activity of all Market Participants represented by the Counter-Party in the DAM, RTM and CRR Auction for a month.
SDCMMATOT	MWh	<i>Securitization Default Charge Maximum MWh Activity Total</i> —The sum of all Counter-Party's Maximum MWh Activity.
$\text{RTMG}_{mp, p, r, i}$	MWh	<i>Real-Time Metered Generation per Market Participant per Settlement Point per Resource</i> —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	<i>Securitization Default Charge Real-Time Metered Generation per Market Participant</i> —The monthly sum 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.

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Variable	Unit	Definition
RTDCIMP _{mp, p, i}	MW	<i>Real-Time DC Import per QSE per Settlement Point</i> —The aggregated Direct Current Tie (DC Tie) Schedule submitted by Market Participant <i>mp</i> , as an importer into the ERCOT System through DC Tie <i>p</i> , for the 15-minute Settlement Interval <i>i</i> , where the Market Participant is a QSE.
SDCRTDCIMP _{mp}	MW	<i>Securitization Default Charge Real-Time DC Import per Market Participant</i> —The monthly sum of the aggregated DC Tie Schedule submitted by Market Participant <i>mp</i> , 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	<i>Real-Time Adjusted Metered Load per Market Participant per Settlement Point</i> —The sum of the Adjusted Metered Load (AML) at the Electrical Buses that are included in Settlement Point <i>p</i> represented by Market Participant <i>mp</i> for the 15-minute Settlement Interval <i>i</i> , where the Market Participant is a QSE.
SDCRTAML _{mp}	MWh	<i>Securitization Default Charge Real-Time Adjusted Metered Load per Market Participant</i> —The monthly sum of the AML represented by Market Participant <i>mp</i> , where the Market Participant is a QSE assigned to the registered Counter-Party.
RTQQES _{mp, p, i}	MW	<i>QSE-to-QSE Energy Sale per Market Participant per Settlement Point</i> —The amount of MW sold by Market Participant <i>mp</i> through Energy Trades at Settlement Point <i>p</i> for the 15-minute Settlement Interval <i>i</i> , where the Market Participant is a QSE.
SDCRTQQES _{mp}	MWh	<i>Securitization Default Charge QSE-to-QSE Energy Sale per Market Participant</i> —The monthly sum of MW sold by Market Participant <i>mp</i> through Energy Trades, where the Market Participant is a QSE assigned to the registered Counter-Party.
RTQQEP _{mp, p, i}	MW	<i>QSE-to-QSE Energy Purchase per Market Participant per Settlement Point</i> —The amount of MW bought by Market Participant <i>mp</i> through Energy Trades at Settlement Point <i>p</i> for the 15-minute Settlement Interval <i>i</i> , where the Market Participant is a QSE.
SDCRTQQEP _{mp}	MWh	<i>Securitization Default Charge QSE-to-QSE Energy Purchase per Market Participant</i> —The monthly sum of MW bought by Market Participant <i>mp</i> through Energy Trades, where the Market Participant is a QSE assigned to the registered Counter-Party.
DAES _{mp, p, h}	MW	<i>Day-Ahead Energy Sale per Market Participant per Settlement Point per hour</i> —The total amount of energy represented by Market Participant <i>mp</i> 's cleared Three-Part Supply Offers in the DAM and cleared DAM Energy-Only Offers at Settlement Point <i>p</i> , for the hour <i>h</i> , where the Market Participant is a QSE.
SDCDAES _{mp}	MWh	<i>Securitization Default Charge Day-Ahead Energy Sale per Market Participant</i> —The monthly total of energy represented by Market Participant <i>mp</i> '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	<i>Day-Ahead Energy Purchase per Market Participant per Settlement Point per hour</i> —The total amount of energy represented by Market Participant <i>mp</i> 's cleared DAM Energy Bids at Settlement Point <i>p</i> for the hour <i>h</i> , where the Market Participant is a QSE.
SDCDAEP _{mp}	MWh	<i>Securitization Default Charge Day-Ahead Energy Purchase per Market Participant</i> —The monthly total of energy represented by Market Participant <i>mp</i> 's cleared DAM Energy Bids, where the Market Participant is a QSE assigned to the registered Counter-Party.

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Variable	Unit	Definition
$RTOBL_{mp, (j, k), h}$	MW	<i>Real-Time Obligation per Market Participant per source and sink pair per hour</i> —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	<i>Securitization Default Charge Real-Time Obligation per Market Participant</i> —The monthly total 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	<i>Real-Time Obligation with Links to an Option per QSE per pair of source and sink</i> —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	<i>Securitization Default Charge Real-Time Obligation with Links to an Option per QSE per pair of source and sink</i> —The monthly total 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	<i>Day-Ahead Option per Market Participant per source and sink pair per hour</i> —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	<i>Securitization Default Charge Day-Ahead Option per Market Participant</i> —The monthly total 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	<i>Day-Ahead Obligation per Market Participant per source and sink pair per hour</i> —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	<i>Securitization Default Charge Day-Ahead Obligation per Market Participant</i> —The monthly total 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	<i>PTP Option Sale per Market Participant per source and sink pair per CRR Auction per hour</i> —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	<i>Securitization Default Charge PTP Option Sale per Market Participant</i> —The MW quantity that represents the monthly total 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.
$OBS_{mp, (j, k), a, h}$	MW	<i>PTP Obligation Sale per Market Participant per source and sink pair per CRR Auction per hour</i> —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.

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Variable	Unit	Definition
$SDCOBLS_{mp}$	MWh	<i>Securitization Default Charge PTP Obligation Sale per Market Participant</i> —The MW quantity that represents the monthly total 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	<i>PTP Option Purchase per Market Participant per source and sink pair per CRR Auction per hour</i> —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	<i>Securitization Default Charge PTP Option Purchase per Market Participant</i> —The MW quantity that represents the monthly total 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	<i>PTP Obligation Purchase per Market Participant per source and sink pair per CRR Auction per hour</i> —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	<i>Securitization Default Charge PTP Obligation Purchase per Market Participant</i> —The MW quantity that represents the monthly total 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	<i>Securitization Default Charge Metered Energy for Wholesale Storage Load at bus per Market Participant</i> —The monthly sum of Market Participant mp 's Wholesale Storage Load (WSL) energy metered by the Settlement Meter which measures WSL.
$MEBL_{mp, r, b}$	MWh	<i>Metered Energy for Wholesale Storage Load at bus</i> —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 non-defaulting QSE or CRR Account Holder, and that is not excluded from this calculation in accordance with provisions specified in paragraph (j-1) of PURA §39.151 or PURA §39.159.
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 Market Participants (QSEs or CRR Account Holders) 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.

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- (4) ERCOT shall, at its discretion, periodically re-estimate the aggregate monthly Securitization Default Charge amount. The purpose of the re-estimation is to ensure that amounts invoiced are sufficient to continue to service the underlying Securitization Default Balance debt in even monthly amounts over the projected remaining tenor of the debt.
- (5) If it is determined in the re-estimation process that the aggregate monthly Securitization Default Charge amount needs to be revised, ERCOT will provide Notice of the change no later than 30 days before the beginning of the month in which the new aggregate monthly Securitization Default Charge amount will become effective.

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 following the RTM Final Statement posting of the last day of a month, or the first Business Day of the following month if a miscellaneous Invoice for Securitization Default Charges has been previously issued for the same 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 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 following the RTM Final Statement posting of the last day of a month, or the first Business Day of the following month if the Securitization Default Charge Invoice has been previously issued for the same 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.

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- (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 Miscellaneous Invoices for Securitization Default Charges (non-gray-boxed)

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- (1) Payments for miscellaneous Invoices for Securitization Default Charges are due on a Business Day and Bank Business Day basis in a one-day, one-step process, as 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 fifth Bank 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.
- (3) The miscellaneous Invoices that are issued for Securitization Default Charges are distinct from other Invoices issued by ERCOT. 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 remarks must include:
 - (a) Invoice number(s); or
 - (b) DUNS Number.

26.3.1.2 Partial Payments by Miscellaneous Invoice Recipients for Securitization Default Charges

- (1) If at least one Invoice Recipient owing funds does not pay its miscellaneous Invoice for Securitization Default Charges in full (short-pay), ERCOT shall follow the procedure set forth below:
 - (a) ERCOT shall make every reasonable attempt to collect payment from each short-paying Invoice Recipient prior to four hours preceding the close of the Bank Business Day Central Prevailing Time (CPT) on the day that payments by ERCOT are due to be paid to applicable Invoice Recipient(s).

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- (b) ERCOT shall draw on any available Financial Security pledged to ERCOT by each short-paying Invoice Recipient that did not pay the amount due under paragraph (a) above. ERCOT will look first to Financial Security held with respect to Securitization Default Charges. If the amount of Financial Security held with respect to Securitization Default Charges is insufficient to cover the short-pay amount, ERCOT may utilize Financial Security held with respect to other ERCOT market activities, but not Financial Security held for Securitization Uplift Charges.
- (c) A draw on available security for a short-paying Invoice Recipient shall be considered a Late Payment for purposes of Section 16.11.6, Payment Breach and Late Payments by Market Participants. ERCOT may, in its sole discretion, hold up to 5% of Financial Security of each short-paying Invoice Recipient and use those funds to pay subsequent Invoices as they become due.
- (d) ERCOT shall offset or recoup any amounts owed, or to be owed, by ERCOT to a short-paying Invoice Recipient against amounts not paid by that Invoice Recipient, and ERCOT shall apply the amount offset or recouped to cover short pays by that Invoice Recipient.
- (e) If ERCOT withholds funds in accordance with paragraph (d) above, such funds will be applied first to amounts owing for Securitization Uplift Charge Invoices, then to miscellaneous Invoices for Securitization Default Charges, and then to any other amounts owed by the Invoice Recipient to ERCOT.
- (f) In the event the amounts owed to ERCOT cannot be recovered from a short-paying entity, this will be reflected in the next re-estimation of the monthly Securitization Default Charge amount per paragraphs (4) and (5) in Section 26.2, Securitization Default Charge.

26.3.1 Payment Process for Securitization Default Charge Invoices (gray-boxed)

- (1) Payments for Securitization Default Charge Invoices are due on a Business Day and Bank Business Day basis in a one-day, one-step process, as detailed below.

26.3.1.1 Invoice Recipient Payment to ERCOT for Securitization Default Charge Invoices

- (1) The payment due date and time for the 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 fifth Bank Business Day is not a Business Day. If the fifth Bank Business Day is not a Business Day,

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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.
- (3) The Securitization Default Charge Invoices are distinct from other Invoices issued by ERCOT. 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 remarks must include:
 - (a) Invoice number(s); or
 - (b) DUNS number.

26.3.1.2 Partial Payments by Invoice Recipients for Securitization Default Charge Invoices

- (1) If at least one Invoice Recipient owing funds does not pay its Securitization Default Charge Invoice in full (short-pay), ERCOT shall follow the procedure set forth below:
 - (a) ERCOT shall make every reasonable attempt to collect payment from each short-paying Invoice Recipient prior to four hours preceding the close of the Bank Business Day Central Prevailing Time (CPT) on the day that payments by ERCOT are due to be paid to applicable Invoice Recipient(s).
 - (b) ERCOT shall draw on any available Financial Security pledged to ERCOT by each short-paying Invoice Recipient that did not pay the amount due under paragraph (a) above. ERCOT will look first to Financial Security held with respect to Securitization Default Charges. If the amount of Financial Security held with respect to Securitization Default Charges is insufficient to cover the short-pay amount, ERCOT may utilize Financial Security held with respect to other ERCOT market activities, but not Financial Security held for Securitization Uplift Charges.
 - (c) A draw on available security for a short-paying Invoice Recipient shall be considered a Late Payment for purposes of Section 16.11.6, Payment Breach and Late Payments by Market Participants. ERCOT may, in its sole discretion, hold up to 5% of Financial Security of each short-paying

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Invoice Recipient and use those funds to pay subsequent Invoices as they become due.

- (d) ERCOT shall offset or recoup any amounts owed, or to be owed, by ERCOT to a short-paying Invoice Recipient against amounts not paid by that Invoice Recipient, and ERCOT shall apply the amount offset or recouped to cover short pays by that Invoice Recipient.
- (e) If ERCOT withholds funds in accordance with paragraph (d) above, such funds will be applied first to amounts owing for Securitization Uplift Charge Invoices, then to Securitization Default Charge Invoices, and then to any other amounts owed by the Invoice Recipient to ERCOT.
- (f) In the event the amounts owed to ERCOT cannot be recovered from a short-paying entity, this will be reflected in the next re-estimation of the monthly Securitization Default Charge amount per paragraphs (4) and (5) in Section 26.2, Securitization Default Charge.

[NPRRXXX: Replace Sections 26.3, 26.3.1, 26.3.1.1, and 26.4.1.2 above with the following upon system implementation:]

26.4 Securitization Default Charge Supporting Data Reporting

- (1) ERCOT shall post once each month on the MIS Certified Area the Securitization Default Charge Maximum MWh Activity (SDCMMA), Securitization Default Charge Maximum MWh Activity Total (SDCMMATOT), Securitization Default Charge Maximum MWh Activity Ratio Share (SDCMMARS), and the Counter-Party level components of SDCMMA calculation as defined in paragraph (2) of Section 26.2, Securitization Default Charges. A new report with Final Settlement data will be posted when ERCOT's systems contain the necessary information to complete the report with the updated data.
- (1) [gray-box]ERCOT shall post once each month on the MIS Certified Area the Securitization Default Charge Maximum MWh Activity (SDCMMA), Securitization Default Charge Maximum MWh Activity Total (SDCMMATOT), Securitization Default Charge Maximum MWh Activity Ratio Share (SDCMMARS), and the Counter-Party level components of SDCMMA calculation as defined in paragraph (2) of Section 26.2, Securitization Default Charge. Each month's report shall be updated with Final Settlement data when ERCOT's systems contain the necessary information to complete the report with the updated data.

26.5 Securitization Default Charge Financial Security Requirements

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26.5.1 Securitization Default Charge Financial Security for Counter-Parties

- (1) The term "Securitization Default Charge Financial Security" in this Section means the collateral amount posted with ERCOT in the form of cash or an unconditional, irrevocable letter of credit.

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 Financial Security at or above the amount of its Securitization Default Charge Credit Exposure (SDCCE). Each Counter-Party shall maintain any required Securitization Default Charge Financial Security in a form acceptable to ERCOT in its sole discretion. If at any time the Counter-Party does not meet ERCOT's SDCCE requirements, then ERCOT may suspend the Counter-Party's rights under these Protocols until it meets those creditworthiness requirements.
- (2) 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).

26.5.3 Means of Satisfying Securitization Default Charge Credit Requirements

- (1) If a Counter-Party is required to provide Securitization Default Charge Financial Security, 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 ERCOT as the beneficiary. ERCOT may, in its sole discretion, reject the letter of credit if the issuer is unacceptable to ERCOT or if the conditions under which ERCOT may draw against the letter of credit are unacceptable to ERCOT. See Section 16.11.3, Alternative Means of Satisfying ERCOT Creditworthiness Requirement, for letter of credit requirements.
 - (b) The Counter-Party may deposit Cash Collateral 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. The Cash Collateral 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 Collateral will be calculated based on Counter-Party average Cash Collateral balances. Interest is not paid on Cash Collateral balances 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

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and ERCOT has determined that no obligations remain owing or will become due and payable.

- (ii) Once per year, ERCOT will:
 - (A) Return interest earned on a Counter-Party's Cash Collateral to the Counter-Party if the amount of interest earned is greater than \$50; or
 - (B) Retain interest earned on a Counter-Party's Cash Collateral as additional Cash Collateral if the amount of interest earned is less than or equal to \$50.
- (2) Securitization Default Charge Financial Security is held solely for the purpose of collateralizing Securitization Default Charge Credit Exposure. It is independent of any Financial Security obligations to the Counter-Party arising under Section 16.11, Financial Security for Counter-Parties, or Section 27, Securitization Uplift Charges. However, a Counter-Party with excess Cash Collateral with respect to one or more of these Financial Security requirements may request ERCOT to have some or all of the excess Cash Collateral returned or transferred to be held against another Financial Security requirement.
- (3) ERCOT has a security interest in all property delivered by the Counter-Party to ERCOT from time to time to meet credit requirements, and that property secures all amounts owed by the Counter-Party to ERCOT.

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

- (1) For Counter-Parties entering the market subsequent to the issuance of the Debt Obligation Order pursuant to PURA Subchapter M, as defined in §39.603, ERCOT shall assess an Initial Securitization Default Charge Financial Security (ISDCFS) of \$40,000.
- (2) For each Counter-Party, ERCOT shall calculate the Securitization Default Charge Credit Exposure as follows:

$SDCCE_{cp} = ISDCFS_{cp}$ until after the Securitization Default Charge Maximum MWh Activity Ratio Share is available, otherwise, $(SDCFME_{cp} + SDCOIA_{cp})$

Where:

$$SDCFME_{cp} = SDCMMARS_{cp, rm, s} * \sum_{fmd=1}^{n_{fmd}} (* TSDCMA_{fmd})$$

The above variables are defined as follows:

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Variable	Unit	Description
ISCDFS _{cp}	\$	<i>Initial Securitization Default Charge Financial Security</i> - The initial financial security to be required from a new Counter-Party
SDCCE _{cp}	\$	<i>Securitization Default Charge Credit Exposure</i> – Estimated credit exposure for each Counter-Party related to Securitization Default Charges.
SDCFME _{cp}	\$	<i>Securitization Default Charge Forward Months Exposure</i> – Estimated forward exposure representing unbilled Invoices for Securitization Default Charges for <i>nm</i> months.
SDCOIA _{cp}	\$	<i>Securitization Default Charge Outstanding Invoice Amounts</i> – Outstanding unpaid Invoices for Securitization Default Charges.
SDCMMARS _{cp, om, s}	None	<i>Securitization Default Charge Maximum MWh Activity Ratio Share</i> – The Counter-Party's pro rata share of Maximum MWh Activity in the most recent available operating month <i>om</i> of Settlement Type <i>s</i> .
TSDCMA	\$	<i>Total Securitization Default Charge Monthly Amount</i> – Total monthly charge calculated by ERCOT to be collected through the Invoice process for Securitization Default Charges.
<i>cp</i>	none	A registered Counter-Party.
<i>rm</i>	none	<i>Reference Month</i> – most recent available operating month of Settlement Type <i>s</i>
<i>fmd</i>	none	<i>Forward Month</i> – a month from Securitization Default Charge forward months
<i>nfmd</i>	none	<i>Number of forward months</i> – total number of forward months Securitization Default Charge is extrapolated

The above parameters are defined as follows:

Parameter	Unit	Current Value
<i>nfmd</i>	Months	4
<i>s</i>	Settlement Type	Final Settlements

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 Financial Security 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 Financial Security and allow the Counter-Party time, as provided in paragraph (5) below, to provide additional Securitization Default Charge Financial Security to maintain compliance with this Section.

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- (4) ERCOT may suspend a Counter-Party when that Counter-Party's SDCCE, as defined in Section 26.5.4, equals or exceeds 100% of its Securitization Default Charge Financial Security. 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 Financial Security 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 Financial Security 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 Financial Security 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 Financial Security 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 Financial Security if ERCOT delivered its Notice after 1500 but prior to 1700.

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.

- (b) ERCOT is not required to make any payment to that Counter-Party unless and until the Counter-Party increases its Securitization Default Charge Financial Security, including any Securitization Default Charge Financial Security required. 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 Default Charge Financial Security 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.

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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 Financial Security, all remedies specified in Section 16.11.6, Payment Breach and Late Payments by Market Participants, are applicable.