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PUC DOCKET NO. 52709

COMPLIANCE FILING FOR DOCKET	§	PUBLIC UTILITY COMMISSION
NO. 52321 (APPLICATION OF ELECTRIC	§	
RELIABILITY COUNCIL OF TEXAS, INC.	§	
FOR A DEBT OBLIGATION ORDER	§	OF TEXAS
PURSUANT TO CHAPTER 39,	§	
SUBCHAPTER M, OF THE PUBLIC	§	
UTILITY REGULATORY ACT)	§	

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. AND
TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC'S
JOINT NOTICE OF INTENT TO AMEND
THE 2021 SERIES SUPPLEMENT TO THE INDENTURE**

NOVEMBER 12, 2024

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**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. AND
TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC'S
JOINT NOTICE OF INTENT TO AMEND
THE 2021 SERIES SUPPLEMENT TO THE INDENTURE**

Pursuant to the Debt Obligation Order adopted by the Public Utility Commission of Texas (the Commission) in Docket No. 52321¹ (hereinafter, the Debt Obligation Order), Electric Reliability Council of Texas, Inc. (ERCOT), as the sole member of Texas Electric Market Stabilization Funding M LLC (the Issuer) caused the Issuer to comply with Subchapter M of Chapter 39 of the Public Utility Regulatory Act and issue the Texas Stabilization M Bonds, Series 2021 (the Stabilization M Bonds). ERCOT and the Issuer hereby submit this Notice, pursuant to Section 9.03 of the Indenture, of the Issuer's intent to amend provisions of the 2021 Series Supplement. In support of this Notice of Intent to Amend, ERCOT and the Issuer respectfully show as follows:

I. Background

On July 16, 2021, ERCOT filed an application for a debt obligation order from the Commission under Subchapter M of Chapter 39 of the Public Utility Regulatory Act (PURA) to securitize extraordinary costs incurred due to Winter Storm Uri. That proceeding was assigned Docket No. 52321. On October 14, 2021, the Commission issued a Debt Obligation Order that authorized the issuance of the debt obligations in an aggregate amount of up to \$800 million (the Default Balance) and approved the assessment of Default Charges to all wholesale Market Participants (except those

¹ *Application of the Electric Reliability Council of Texas, Inc. for a Debt Obligation Order Pursuant to Chapter 39, Subchapter M, of the Public Utility Regulatory Act*, Docket No. 52321, Corrected Final Debt Obligation Order, Findings of Fact No. 65, 66, and 71 and Ordering Paragraphs No. 15 and 15A (Oct. 14, 2021) [hereinafter Debt Obligation Order].

expressly exempted by PURA) in an amount sufficient to ensure the recovery of amounts expected to be necessary to timely provide all payments of debt service and other required amounts and charges in connection with the issuance of the debt obligations. In accordance with the Debt Obligation Order, the Issuer issued on November 12, 2021, the Stabilization M Bonds in an aggregate principal amount of \$800 million.

Applicable law (i) required the Comptroller to purchase the Stabilization M Bonds; and (ii) established an initial interest rate mechanism applicable to the Stabilization M Bonds.² To comply with its obligation, the Comptroller caused the Texas Treasury Safekeeping Trust Company (the Initial Purchaser) to purchase the Stabilization M Bonds.

After this initial transaction, ERCOT has successfully pursued collection, as required under PURA §39.159(c), of amounts owed by Market Participants that otherwise would have been borne by other Market Participants or their customers. The most substantial recovery was \$374,763,872 as part of the Brazos Electric Power Cooperative, Inc. (Brazos) bankruptcy plan. Additional information regarding these recoveries is provided in ERCOT reports of recoveries, that are included from time to time as additional recoveries are obtained, in ERCOT's true-up compliance filings in this proceeding. As a result of these recoveries, on February 1, 2023, the Issuer redeemed from the Initial Purchaser \$382,288,420 in aggregate principal amount of the outstanding Stabilization M Bonds.³ Subsequent to such redemption, the Stabilization M Bonds were reissued to the Initial Purchaser and are now represented by Bond No. R-3 in the original principal amount of \$403,800,000.

The Initial Purchaser remains the legal and beneficial owner of the Stabilization M Bonds.⁴

So long as the Stabilization M Bonds remain owned by the Initial Purchaser, the Stabilization M Bonds are subject to early redemption by the Issuer without premium or penalty. Unless the

² See Government Code Section 404.0241 (b-1) *et seq.*

³ See ERCOT's Supplemental Annual True-Up Compliance Filing, Report of Recoveries, Notice of Default Charge Adjustment, and Recalculation of Both the Initial Revenue Requirements and Default Charge Schedule Based on the Expected Optional Early Partial Redemption of the Texas Stabilization M Bonds, Series 2021 (Jan. 12, 2023).

⁴ See the Representation of the Initial Purchaser set forth in the Consent attached hereto as Attachment 1.

proposed Amendment to the 2021 Series Supplement is adopted, the Initial Purchaser is allowed to transfer or sell to a third party the Stabilization M Bonds any time on or after February 1, 2025, provided the Initial Purchaser timely provides the Issuer with notice of the intended transfer or sale. Prior to such date and prior to providing the Issuer such notice, the Initial Purchaser may not transfer Stabilization M Bonds. However, *once the Stabilization M Bonds are transferred and assigned by the Initial Purchaser, the right of the Issuer to redeem the Stabilization M Bonds without penalty or premium is lost.* Thereafter, a potentially substantial make-whole premium is required to be paid in the event of any early redemption of the Stabilization M Bonds.

To provide a longer opportunity to see if funds can be made available to the Issuer to allow the Issuer to redeem early the Stabilization M Bonds without penalty or premium, the Initial Purchaser has agreed to extend until the earlier of the effective date of legislation affecting the Series 2021 Bonds or September 1, 2025, the period of time the Initial Purchaser is required to own the Stabilization M Bonds. This agreement is in the form of a proposed amendment to the 2021 Series Supplement which is attached hereto as Attachment 2 (the Proposed 2021 Series Supplement Amendment).

Such an extension of time is in the best interest of the Market Participants who are paying default charges, because it extends the window for the possible early redemption of the Stabilization M Bonds without penalty or premium. This provides time for the Texas Legislature to consider possible legislative solutions such as funding an early redemption of the Stabilization M Bonds while they are owned by the Initial Purchaser. Full redemption of the Stabilization M Bonds would end the necessity to impose default charges upon the Market Participants.

II. Right to Amend the Indenture

The 2021 Series Supplement is an integral part of the Indenture.⁵ No amendment to the Indenture can be made which has the effect of modifying in any manner the rights of the Holders of the Stabilization M Bonds, such as the Initial Purchaser, without the consent of the Initial Purchaser.⁶

In order for an amendment to the 2021 Series Supplement to become effective at least thirty-one (31) days prior to the effectiveness of any such amendment, the Issuer is required to deliver to the Commissioner's Executive Director and General Counsel written notice of the Proposed 2021 Series Supplement Amendment.⁷ The Commission, or its staff, within thirty (30) days of receiving notification of the Proposed 2021 Series Supplement Amendment shall either: (i) provide notice of consent, or notice of a lack of consent, to the Issuer; or (ii) if no action is taken, the Commission shall have been conclusively deemed to consent to the Proposed 2021 Series Supplement Amendment.⁸ The Commission or its staff also has the ability to notify the Issuer that the Commission or its staff is requesting up to thirty (30) additional days to consider whether to consent to the Proposed 2021 Series Supplement Amendment.⁹

Any amendment requiring the consent of the Commission shall become effective on: (i) the later of the date proposed by the parties to such amendment; and (ii) the first day after the expiration of the thirty (30) day provided for in Section 9.03(b) of the Indenture; or (iii) if that time period has been extended, the first day after the expiration of such period as so extended.¹⁰

⁵ See, e.g., Section 2.01 of the Indenture between Texas Electric Market Stabilization Funding M LLC as Issuer and U.S. Bank National Association, as Trustee.

⁶ *Id.* at Section 9.02.

⁷ *Id.* Section 9.03(a).

⁸ *Id.* at Section 9.03(b).

⁹ *Id.* at Section 9.03(b).

¹⁰ *Id.* at Section 9.03(b).

Questions by the Commission or its staff concerning the Proposed 2021 Series Supplement Amendment or requests for additional time should be directed to the undersigned counsel for ERCOT and the Issuer.¹¹

III. Purpose of Filing and Jurisdiction

ERCOT and the Issuer are submitting this Notice of Intent to Amend the Indenture in accordance with the Debt Obligation Order,¹² and Section 9.03 of the Indenture. The Commission has jurisdiction over the Proposed 2021 Series Supplement Amendment pursuant to PURA § 39.603.

IV. Notice

In accordance with Section 9.03 of the Indenture, a copy of this Notice of Intent to Amend the 2021 Series Supplement is being sent to the following parties:

Public Utility Commission of the State of Texas
William B. Travis Building
1701 N. Congress Ave
Suite 7-110
Austin, TX 78701

Attention: Executive Director, Connic Corona

Public Utility Commission of the State of Texas
William B. Travis Building
1701 N. Congress Ave
Suite 7-110
Austin, TX 78701

Attention: Legal Division Director, Marisa Wagley
and
Rate Regulation Division Director, Daryl Tietjen

Texas Electric Market Stabilization Funding M LLC:

Texas Electric Market Stabilization Funding M LLC
8000 Metropolis Drive (Building E), Suite 100
Austin, Texas 78744

Attn: Chief Executive Officer

¹¹ *Id.* at Section 9.03(a)(iii).

¹² Ordering Paragraph No. 33 of the Debt Obligation Order.

Texas Treasury Safekeeping Trust Company:

Texas Treasury Safekeeping Trust Company
208 East 10th Street, 4th Floor
Austin, Texas 78701

Attn: Genoveva Minjares
Email: accounting@ttstc.texas.gov
legal@ttstc.texas.gov

U.S. Bank Trust Company, National Association:

U.S. Bank Trust Company, National Association
13737 Noel Road, 8th Floor
Dallas, Texas 75240

Attn: Corporate Trust Services

V. Effective Date of Amendment

The Issuer proposes an effective date to be December 16, 2024. In accordance with Indenture provision Section 9.03, and the Debt Obligation Order,¹³ the Commission has thirty-one (31) days after the date of this filing to consent, provide notice of its lack of consent of the Proposed 2021 Series Supplement Amendment, or request additional time to consider whether to give consent. If no response is provided by the Commission by December 16, 2024, the Commission shall be deemed to have consented to the Proposed 2021 Series Supplement Amendment.¹⁴

Conclusion and Prayer

Based on the foregoing, ERCOT and the Issuer respectfully request that the Commission or another Presiding Officer with delegated authority, timely issue an order consenting to the Proposed Amendment to the 2021 Series Supplement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

¹³ Ordering Paragraph No. 33 of the Debt Obligation Order.

¹⁴ As indicated in Section II the Commission can by notice extend its review period for up to an additional thirty (30) days.

Respectfully submitted,

WINSTEAD PC

By: /s/ *James W. Doyle*

James W. Doyle

State Bar No. 06094600

jdoyle@winstead.com

Winstead PC

600 Travis Street, Suite 5200

Houston, Texas 77002

Telephone: (713) 650-2718

Facsimile: (713) 650-2400

**ATTORNEY FOR ERCOT
AND THE ISSUER**

ATTACHMENT 1

[Consent of Initial Purchaser follows this page.]

**2021 SERIES SUPPLEMENT AMENDMENT
OFFICER'S CERTIFICATE AND CONSENT**

October 24, 2024

Ladies and Gentlemen:

This Officer's Certificate and Consent is delivered to you pursuant to (i) Section 9.02 of the Indenture dated as of November 12, 2021 (the "Indenture") entered into by and between Texas Electric Market Stabilization Funding M LLC (the "Issuer") and U.S. Bank National Association, as Indenture Trustee (the "Trustee") and as Securities Intermediary, and (ii) relates to the proposed amendment (the "2021 Series Supplement Amendment") set forth on Exhibit A to the Series Supplement dated as of November 12, 2021 (the "Series Supplement") entered into by and between the Issuer and the Trustee, each relating to the Texas Electric Market Stabilization Funding M LLC Texas Stabilization M Bonds, Series 2021 (the "Series 2021 Bonds").

The Texas Treasury Safekeeping Trust Company (the "Initial Purchaser") purchased the entirety of the Series 2021 Bonds on November 12, 2021. As a result of the previously Issuer provided Notice of Conditional Partial Redemption, the Series 2021 Bonds were redeemed in part and reissued in part, and as a result, the Series 2021 Bonds are now evidenced by Bond No.: R-3 which was issued on February 1, 2023 in the principal amount of \$400,800,000.00 ("Series 2021 Bond No.: R-3").

The Initial Purchaser (i) represents that (a) it is the legal and beneficial owner of all of the Outstanding Amount of Series 2021 Bonds represented by Series 2021 Bond No: R-3, (b) it is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized, and has the power and authority, and the legal right, to execute and deliver this Consent, and (c) this Consent constitutes a legal, valid and binding obligation, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law), and (ii) consents to the amendments to the Indenture set forth in the 2021 Series Supplement Amendment and instructs the Indenture Trustee to execute and deliver the 2021 Series Supplement Amendment.

Capitalized terms which are used but not otherwise defined herein shall have the meanings ascribed to them in the Indenture. The undersigned represents and warrants to each of you as follows:

1. the undersigned is the duly elected, qualified and acting Chief Executive Officer of the Initial Purchaser and is familiar with the operations, records and affairs of the Initial Purchaser;
2. the Initial Purchaser is the current beneficial and legal owner of the Series 2021 No.: R-3 Bond; and

3. the statements made herein are based either upon the personal knowledge of the undersigned or on information, data and reports furnished to the undersigned by the officers, counsel and employees of the Issuer who have knowledge of the facts involved.

Accordingly, you are hereby notified and directed as follows:

1. The Initial Purchaser consents to the proposed 2021 Series Supplement Amendment in the form attached hereto as Exhibit "A", with such changes as the undersigned officer may hereinafter authorize.

2. Should the Texas Legislature during the 2025 Legislative Session adopt a statute or statutes which amend either the Texas Government Code §404.0241 or Texas Utilities Code Subchapter M in a way that requires, or in the exercise of the judgment of the Issuer, reasonably requires, action on the part of the Initial Purchaser to implement such legislative action, the Initial Purchaser will promptly enter into such action and use good faith efforts to respond to any requests received from the Issuer to relating thereto.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has hereunto set his hand on behalf of as of Texas Treasury Safekeeping Trust Company the date first written above.

**TEXAS TREASURY SAFEKEEPING TRUST
COMPANY**

By: 
Name: Mike Reissig
Title: CEO

EXHIBIT A

[FORM OF 2021 SERIES SUPPLEMENT AMENDMENT FOLLOWS]

SERIES SUPPLEMENT AMENDMENT

Relating to

Texas Electric Market Stabilization Funding M LLC
Texas Stabilization M Bonds,
Series 2021

THIS SERIES SUPPLEMENT AMENDMENT is dated as of October 28, 2024 (this "Supplement Amendment"), by and between Texas Electric Market Stabilization Funding M LLC, a limited liability company created under the laws of the State of Delaware (the "Issuer"), and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), in its capacity as indenture trustee (the "Indenture Trustee") for the benefit of the Secured Parties under the Indenture dated as of November 12, 2021, by and between the Issuer and the Indenture Trustee, and in its separate capacity as a securities intermediary (as supplemented by that certain Series Supplement dated as of November 12, 2021 (the "Series Supplement"), between the Issuer and the Indenture Trustee, the "Indenture"). Capitalized terms used herein and not otherwise defined shall have their meanings given in the Indenture.

BY ITS ISSUER ORDER adopted by the Issuer on November 12, 2021 (the "Series 2021 Bonds Issuer Order"), the Issuer duly authorized the creation and issuance of Texas Stabilization M Bonds in the original principal amount of \$800,000,000, designated as its "Texas Stabilization M Bonds, Series 2021" (the "Series 2021 Bonds").

BY ITS CERTIFICATE AND DIRECTION LETTER issued December 29, 2022, the Issuer gave Notice of Conditional Partial Redemption of \$382,288,420 of the Series 2021 Bonds.

AS A RESULT OF THE NOTICE OF CONDITIONAL PARTIAL REDEMPTION the Series 2021 Bonds were redeemed in part and reissued in part, and as a result the Series 2021 Bonds are now evidenced by Bond No: R-3 which was issued on February 1, 2023 in the Principal Amount of \$403,800,000 ("Series 2021 Bond No: R-3").

SECTION 9.02 OF THE INDENTURE provides, among other things, that the Issuer and the Indenture Trustee, with the consent of the Holders of not less than a majority of the Outstanding Amount of the Series 2021 Bonds, may at any time enter into an indenture supplemental to the Indenture for the purposes of modifying, in any manner, the rights of the Holders of the Texas Stabilization M Bonds.

ACCORDINGLY, the Issuer, the Indenture Trustee, with the joinder of the Initial Purchaser, do hereby enter into this Supplement Amendment.

ARTICLE I

Additional Definitions

Section 1.1 The following additional definitions are hereby added to the Indenture:

Legislative Action Date: The date funds are made available to the Issuer by the state of Texas or any agency thereof, for the purpose of redeeming the Series 2021 Bonds.

Transferability Restriction Termination Date: The date that is the earlier to occur of the Legislative Action Date and September 1, 2025.

ARTICLE II

Amendments

Section 2.1 Amendment to Section 6(a) of the Series Supplement. Section 6(a) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (a) *No Transfer Prior to the Transferability Restriction Termination Date.* Without the prior written consent of the Issuer, the Series 2021 Bonds shall at all times remain registered with the Initial Purchaser until the Transferability Restriction Termination Date, and notwithstanding anything in the Indenture to the contrary, the Indenture Trustee shall not transfer or exchange the Series 2021 Bonds, prior to the Transferability Restriction Termination Date without the prior written consent of the Issuer.

Section 2.2 Amendment to Section 6(b) of the Series Supplement. Section 6(b) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (b) *Transferability Following the Transferability Restriction Termination Date.* Following the Transferability Restriction Termination Date, and subject to Section 6(c) below, the Initial Purchaser shall be permitted to transfer all or any portion of the Series 2021 Bonds, but only after having given the Issuer and ERCOT forty-five (45) days' prior written notice of the Initial Purchaser's intention to sell all or part of its interest in the Series 2021 Bonds (the "Transfer Notice"). A Transfer Notice may be given to the Issuer and ERCOT before the Transferability Restriction Termination Date, so long as the effective date is on or after the Transferability Restriction Termination Date. The Transfer Notice shall address the following:
 - (i) *Application for Rating.* If so required by the Initial Purchaser in the Transfer Notice, the Issuer shall request a credit rating of the Series 2021 Bonds from one or more Rating Agencies as the Initial Purchaser shall determine. The Issuer shall use good faith efforts to cause ratings to be received within ninety (90) days of its receipt of the Transfer Notice. The Issuer shall provide to the Rating Agencies such information regarding the Series 2021 Bonds as the Rating Agencies may reasonably request, in a timely manner (subject to customary confidentiality requirements applicable in the context of a public rating), and shall cooperate with the other reasonable requirements of the Rating Agencies. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(e) of the Indenture.
 - (ii) *Offering Memorandum.* If so required by the Initial Purchaser in the Transfer Notice, the Issuer shall, within 90 days, prepare a private placement memorandum or other offering memorandum for dissemination to potential purchasers of the Series 2021 Bonds, setting forth the terms of the Series 2021 Bonds, the financial information concerning the Issuer and the Texas Stabilization M Bond Collateral, and other information material to an evaluation of the Series 2021 Bonds (the "Offering Memorandum").

All costs relating to the preparation of the Offering Memorandum, including any reasonable costs of the Initial Purchaser, shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(e) of the Indenture; provided that such costs shall not bear any interest, or include any seller commission or similar cost, which shall be borne solely by the Initial Purchaser.

Section 2.3 Amendment to Section 6(c) of the Series Supplement. Section 6(c) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (c) *Tolling on Transferability Following the Transferability Restriction Termination Date.* Upon receipt of a Transfer Notice as provided in Section 6(b) above, the Initial Purchaser shall not be permitted to sell or transfer all or any portion of the Series 2021 Bonds for an additional sixty (60) days beyond the forty-five (45) day notice period provided for in Section 6(b) if the Issuer provides written notice to the Initial Purchaser no later than fifteen (15) days after receipt of the Transfer Notice of its intention to optionally redeem the Series 2021 Bonds pursuant to Section 5(a) of this Supplement. Should the Issuer fail to redeem the Series 2021 Bonds within such additional sixty (60) day period, then the Initial Purchaser's right to sell or transfer the Series 2021 Bonds shall take effect immediately upon the expiration of such additional 60-day period.

Section 2.4 Amendment to Section 7(a) of the Series Supplement. Section 7(a) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (a) *Credit Rating Requirement.* At any time after the Transferability Restriction Termination Date and upon the written direction the Holders of not less than a majority of the Outstanding Amount, the Issuer shall request a credit rating of the Series 2021 Bonds from one or more Rating Agencies as the Holders of not less than a majority of the Outstanding Amount shall determine. Not later than 90 days after receipt of a written request received from the Holders of a majority of the Series 2021 Bonds the Issuer will cooperate in soliciting a credit rating. The Issuer shall provide to the Rating Agencies such information regarding the Series 2021 Bonds as the Rating Agencies may reasonably request, in a timely manner (subject to customary confidentiality requirements applicable in the context of a public rating), and shall cooperate with the other reasonable requirements of the Rating Agencies. The Issuer shall be responsible for all fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture.

Section 2.5 Amendment to Section 7(b) of the Series Supplement. Section 7(b) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (b) *Mandatory Put Option.* If any time after the Transferability Restriction Termination Date, but only for so long as the Initial Purchaser is the Holder of the Series 2021 Bonds, at the written request of the Initial Purchaser, the Issuer will use its good faith best efforts to obtain credit ratings on a new series of Texas Stabilization M Bonds, the proceeds of which will be used to refinance the Series

2021 Bonds. If the Issuer is able to obtain "AA(sf)" or better credit ratings from at least two Rating Agencies, and if the interest rates on this new series of Texas Stabilization M Bonds, based on those credit ratings, are expected to be 1.00% or more lower than the re-set rates on the existing Series 2021 Bonds, the Issuer will redeem the Series 2021 Bonds at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption in the manner set forth in Section 5 hereof, and finance the payment of that redemption price through a new series of Texas Stabilization M Bonds. The Issuer shall use good faith efforts to cause ratings to be received within 90 days of its receipt of such notice, and to cause such refinancing Texas Stabilization M Bonds to be issued as soon as reasonably possible following the receipt of such favorable credit ratings. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such ratings shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture.

Section 2.6 General Provisions.

- (a) *Ratification of Agreement.* As supplemented by this Supplement Amendment, the Indenture is in all respects ratified and confirmed, and the Indenture, as so supplemented by this Supplement Amendment, shall be read, taken, and construed as one and the same instrument. This Supplement Amendment amends, modifies and supplements the Indenture only in so far as it relates to the Series 2021 Bonds.
- (b) *GOVERNING LAW.* THIS SUPPLEMENT AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS; PROVIDED THAT THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED HEREUNDER IN DEFAULT PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE AND THE HOLDERS WITH RESPECT TO THE DEFAULT PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.
- (c) *Conflicting Provisions.* If any term or provision contained in this Supplement Amendment shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Supplement Amendment shall govern.
- (d) *No Recourse to Issuer.* Notwithstanding any provision of the Indenture or this Supplement Amendment to the contrary, Holders shall look only to the Texas Stabilization M Bond Collateral with respect to any amounts due to the Holders hereunder and under the Texas Stabilization M Bonds and, in the event such Texas Stabilization M Bond Collateral is insufficient to pay in full the amounts owed on the Texas Stabilization M Bonds, shall have no recourse against the Issuer in respect of such insufficiency. Each Holder by accepting a Texas Stabilization M Bond specifically confirms the nonrecourse nature of these obligations, and waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Texas Stabilization M Bonds.

- (e) *Counterparts.* This Supplement Amendment may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplement Amendment to be duly executed by their duly authorized officers as of the day and year first above written.

ISSUER:

Texas Electric Market Stabilization Funding M LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

TRUSTEE:

U.S. Bank Trust Company, National Association, as
Trustee

By: _____
Name: _____
Title: _____

*Signature Page to
Series Supplement Amendment (Series 2021 Subchapter M Bonds)*

ATTACHMENT 2

[Proposed Form of 2021 Series Supplement Amendment follows this page.]

SERIES SUPPLEMENT AMENDMENT

Relating to

Texas Electric Market Stabilization Funding M LLC
Texas Stabilization M Bonds,
Series 2021

THIS SERIES SUPPLEMENT AMENDMENT is dated as of October 28, 2024 (this "Supplement Amendment"), by and between Texas Electric Market Stabilization Funding M LLC, a limited liability company created under the laws of the State of Delaware (the "Issuer"), and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), in its capacity as indenture trustee (the "Indenture Trustee") for the benefit of the Secured Parties under the Indenture dated as of November 12, 2021, by and between the Issuer and the Indenture Trustee, and in its separate capacity as a securities intermediary (as supplemented by that certain Series Supplement dated as of November 12, 2021 (the "Series Supplement"), between the Issuer and the Indenture Trustee, the "Indenture"). Capitalized terms used herein and not otherwise defined shall have their meanings given in the Indenture.

BY ITS ISSUER ORDER adopted by the Issuer on November 12, 2021 (the "Series 2021 Bonds Issuer Order"), the Issuer duly authorized the creation and issuance of Texas Stabilization M Bonds in the original principal amount of \$800,000,000, designated as its "Texas Stabilization M Bonds, Series 2021" (the "Series 2021 Bonds").

BY ITS CERTIFICATE AND DIRECTION LETTER issued December 29, 2022, the Issuer gave Notice of Conditional Partial Redemption of \$382,288,420 of the Series 2021 Bonds.

AS A RESULT OF THE NOTICE OF CONDITIONAL PARTIAL REDEMPTION the Series 2021 Bonds were redeemed in part and reissued in part, and as a result the Series 2021 Bonds are now evidenced by Bond No: R-3 which was issued on February 1, 2023 in the Principal Amount of \$403,800,000 ("Series 2021 Bond No: R-3").

SECTION 9.02 OF THE INDENTURE provides, among other things, that the Issuer and the Indenture Trustee, with the consent of the Holders of not less than a majority of the Outstanding Amount of the Series 2021 Bonds, may at any time enter into an indenture supplemental to the Indenture for the purposes of modifying, in any manner, the rights of the Holders of the Texas Stabilization M Bonds.

ACCORDINGLY, the Issuer, the Indenture Trustee, with the joinder of the Initial Purchaser, do hereby enter into this Supplement Amendment.

ARTICLE I

Additional Definitions

Section 1.1 The following additional definitions are hereby added to the Indenture:

Legislative Action Date: The date funds are made available to the Issuer by the state of Texas or any agency thereof, for the purpose of redeeming the Series 2021 Bonds.

Transferability Restriction Termination Date: The date that is the earlier to occur of the Legislative Action Date and September 1, 2025.

ARTICLE II

Amendments

Section 2.1 Amendment to Section 6(a) of the Series Supplement. Section 6(a) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (a) *No Transfer Prior to the Transferability Restriction Termination Date.* Without the prior written consent of the Issuer, the Series 2021 Bonds shall at all times remain registered with the Initial Purchaser until the Transferability Restriction Termination Date, and notwithstanding anything in the Indenture to the contrary, the Indenture Trustee shall not transfer or exchange the Series 2021 Bonds, prior to the Transferability Restriction Termination Date without the prior written consent of the Issuer.

Section 2.2 Amendment to Section 6(b) of the Series Supplement. Section 6(b) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (b) *Transferability Following the Transferability Restriction Termination Date.* Following the Transferability Restriction Termination Date, and subject to Section 6(c) below, the Initial Purchaser shall be permitted to transfer all or any portion of the Series 2021 Bonds, but only after having given the Issuer and ERCOT forty-five (45) days' prior written notice of the Initial Purchaser's intention to sell all or part of its interest in the Series 2021 Bonds (the "Transfer Notice"). A Transfer Notice may be given to the Issuer and ERCOT before the Transferability Restriction Termination Date, so long as the effective date is on or after the Transferability Restriction Termination Date. The Transfer Notice shall address the following:
 - (i) *Application for Rating.* If so required by the Initial Purchaser in the Transfer Notice, the Issuer shall request a credit rating of the Series 2021 Bonds from one or more Rating Agencies as the Initial Purchaser shall determine. The Issuer shall use good faith efforts to cause ratings to be received within ninety (90) days of its receipt of the Transfer Notice. The Issuer shall provide to the Rating Agencies such information regarding the Series 2021 Bonds as the Rating Agencies may reasonably request, in a timely manner (subject to customary confidentiality requirements applicable in the context of a public rating), and shall cooperate with the other reasonable requirements of the Rating Agencies. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(e) of the Indenture.
 - (ii) *Offering Memorandum.* If so required by the Initial Purchaser in the Transfer Notice, the Issuer shall, within 90 days, prepare a private placement memorandum or other offering memorandum for dissemination to potential purchasers of the Series 2021 Bonds, setting forth the terms of the Series 2021 Bonds, the financial information concerning the Issuer and the Texas Stabilization M Bond Collateral, and other information material to an evaluation of the Series 2021 Bonds (the "Offering Memorandum").

All costs relating to the preparation of the Offering Memorandum, including any reasonable costs of the Initial Purchaser, shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(e) of the Indenture; provided that such costs shall not bear any interest, or include any seller commission or similar cost, which shall be borne solely by the Initial Purchaser.

Section 2.3 Amendment to Section 6(c) of the Series Supplement. Section 6(c) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (c) *Tolling on Transferability Following the Transferability Restriction Termination Date.* Upon receipt of a Transfer Notice as provided in Section 6(b) above, the Initial Purchaser shall not be permitted to sell or transfer all or any portion of the Series 2021 Bonds for an additional sixty (60) days beyond the forty-five (45) day notice period provided for in Section 6(b) if the Issuer provides written notice to the Initial Purchaser no later than fifteen (15) days after receipt of the Transfer Notice of its intention to optionally redeem the Series 2021 Bonds pursuant to Section 5(a) of this Supplement. Should the Issuer fail to redeem the Series 2021 Bonds within such additional sixty (60) day period, then the Initial Purchaser's right to sell or transfer the Series 2021 Bonds shall take effect immediately upon the expiration of such additional 60-day period.

Section 2.4 Amendment to Section 7(a) of the Series Supplement. Section 7(a) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (a) *Credit Rating Requirement.* At any time after the Transferability Restriction Termination Date and upon the written direction the Holders of not less than a majority of the Outstanding Amount, the Issuer shall request a credit rating of the Series 2021 Bonds from one or more Rating Agencies as the Holders of not less than a majority of the Outstanding Amount shall determine. Not later than 90 days after receipt of a written request received from the Holders of a majority of the Series 2021 Bonds the Issuer will cooperate in soliciting a credit rating. The Issuer shall provide to the Rating Agencies such information regarding the Series 2021 Bonds as the Rating Agencies may reasonably request, in a timely manner (subject to customary confidentiality requirements applicable in the context of a public rating), and shall cooperate with the other reasonable requirements of the Rating Agencies. The Issuer shall be responsible for all fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture.

Section 2.5 Amendment to Section 7(b) of the Series Supplement. Section 7(b) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (b) *Mandatory Put Option.* If any time after the Transferability Restriction Termination Date, but only for so long as the Initial Purchaser is the Holder of the Series 2021 Bonds, at the written request of the Initial Purchaser, the Issuer will use its good faith best efforts to obtain credit ratings on a new series of Texas Stabilization M Bonds, the proceeds of which will be used to refinance the Series

2021 Bonds. If the Issuer is able to obtain "AA(sf)" or better credit ratings from at least two Rating Agencies, and if the interest rates on this new series of Texas Stabilization M Bonds, based on those credit ratings, are expected to be 1.00% or more lower than the re-set rates on the existing Series 2021 Bonds, the Issuer will redeem the Series 2021 Bonds at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption in the manner set forth in Section 5 hereof, and finance the payment of that redemption price through a new series of Texas Stabilization M Bonds. The Issuer shall use good faith efforts to cause ratings to be received within 90 days of its receipt of such notice, and to cause such refinancing Texas Stabilization M Bonds to be issued as soon as reasonably possible following the receipt of such favorable credit ratings. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such ratings shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture.

Section 2.6 General Provisions.

- (a) *Ratification of Agreement.* As supplemented by this Supplement Amendment, the Indenture is in all respects ratified and confirmed, and the Indenture, as so supplemented by this Supplement Amendment, shall be read, taken, and construed as one and the same instrument. This Supplement Amendment amends, modifies and supplements the Indenture only in so far as it relates to the Series 2021 Bonds.
- (b) *GOVERNING LAW.* THIS SUPPLEMENT AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS; PROVIDED THAT THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED HEREUNDER IN DEFAULT PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE AND THE HOLDERS WITH RESPECT TO THE DEFAULT PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.
- (c) *Conflicting Provisions.* If any term or provision contained in this Supplement Amendment shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Supplement Amendment shall govern.
- (d) *No Recourse to Issuer.* Notwithstanding any provision of the Indenture or this Supplement Amendment to the contrary, Holders shall look only to the Texas Stabilization M Bond Collateral with respect to any amounts due to the Holders hereunder and under the Texas Stabilization M Bonds and, in the event such Texas Stabilization M Bond Collateral is insufficient to pay in full the amounts owed on the Texas Stabilization M Bonds, shall have no recourse against the Issuer in respect of such insufficiency. Each Holder by accepting a Texas Stabilization M Bond specifically confirms the nonrecourse nature of these obligations, and waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Texas Stabilization M Bonds.

- (e) *Counterparts.* This Supplement Amendment may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplement Amendment to be duly executed by their duly authorized officers as of the day and year first above written.

ISSUER:

Texas Electric Market Stabilization Funding M LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

TRUSTEE:

U.S. Bank Trust Company, National Association, as
Trustee

By: _____
Name: _____
Title: _____

*Signature Page to
Series Supplement Amendment (Series 2021 Subchapter M Bonds)*