



August 10, 2021

The Honorable Peter Lake, Chair, Public Utility Commission  
The Honorable Will McAdams, Commissioner, Public Utility Commission  
The Honorable Lori Cobos, Commissioner, Public Utility Commission

Dear Commissioners,

The Electric Reliability Council of Texas (ERCOT) recently submitted an application to the Texas Public Utility Commission (PUC) for a debt obligation order authorized by HB 4492 (87R). The PUC is now tasked with developing the method for allocating the financing proceeds to eligible entities impacted by Winter Storm Uri. In response to the letter sent from the House, this letter is meant to provide additional clarity regarding the Senate's legislative intent to use netting when executing the debt obligation order.

HB 4492 was enacted during the 87th Legislative Session to stabilize the competitive electricity market in Texas by providing financial relief to load-serving entities for extraordinary unanticipated costs resulting from Winter Storm Uri. To achieve this objective, HB 4492 authorizes the use of securitization financing to fund substantial balances that would otherwise be uplifted to the entire wholesale market as a result of market participants defaulting on amounts owed.

To ensure this relief is ultimately distributed in the most appropriate manner, HB 4492 requires the PUC to establish a documentation process for entities to demonstrate their exposure to ancillary service costs and Reliability Deployment Price Adder (RDPA) charges included in the uplift balance. The legislation further stipulates that this documentation should include any proceeds received for these same purposes.

Based on a calculation by the Independent Market Monitor (IMM), the Texas Legislature placed a limit of \$2.1 billion on the amount available for securitization financing; an amount that was estimated to cover the total exposure to ancillary service costs and RDPA charges of each affected entity after considering their consolidated corporate umbrella. Without considering the financial impact of these offsets, the total cost of the uplift balance would far exceed the \$2.1 billion cap set by the Legislature and hinder ERCOT's ability to efficiently distribute this relief in a manner consistent with the requirements in HB 4492 that reduces the risk of additional defaults, supports the financial integrity of the wholesale market, and is necessary to protect the public interest, most importantly, Texas ratepayers.

In summary, HB 4492 and the Senate's legislative intent, stipulates that netting is required to ensure the overall monetary situation for each company and its affiliates is considered and any securitized funds are only utilized to prevent unnecessary uplift charges due to defaults. We stress that the PUC should strongly reference the bill and the Senate's legislative intent in their methodology development in implementing HB 4492.

Thank you for your continued service in helping the state recover from this unprecedented event. Should you have any questions, please do not hesitate to contact my office.

Sincerely,



Senator Charles Schwertner



Senator Paul Bettencourt



Senator Brian Birdwell



Senator Dawn Buckingham



Senator Donna Campbell



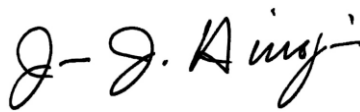
Senator Brandon Creighton



Senator Bob Hall



Senator Kelly Hancock



Senator Juan "Chuy"  
Hinojosa



Senator Joan Huffman



Senator Brian Hughes



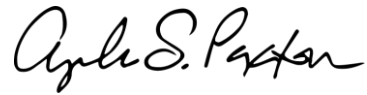
Senator Lois Kolkhorst



Senator Jane Nelson



Senator Robert Nichols



Senator Angela Paxton



Senator Charles Perry



Senator Kel Seliger



Senator Drew Springer



Senator Larry Taylor



Senator Judith Zaffirini