

As Approved by TAC on 05/08/08
Electric Reliability Organization Fee Assessment and Collection Guide

Table of Contents

1	Electric Reliability Organization Authority	2
2	North American Electric Reliability Corporation Budgeting Process	2
2.1	NERC Budgeting Process.....	2
2.2	Annual Fee Notification	2
3	Calculation of the Electric Reliability Organization Fee	2
3.1	Calculation of Electric Reliability Organization Fee	2
3.1.1	Net Energy for Load (Adjusted Metered Load)	2
3.1.2	Calculation of Net Energy for Load	3
3.1.3	Calculation of Qualified Scheduling Entity’s Shares of NERC Charges.....	3
3.2	Recalculating Electric Reliability Organization Fee When an LSE Ceases to Transact in the ERCOT Region	4
3.3	Inclusion of a New Load Serving Entity.....	4
4	Billing and Collection of the Electric Reliability Organization Fee	4
4.1	Billing	4
4.2	Collection from Non-paying Entities.....	4
5	Revisions to this Guide	5
6	Adjusted Meter Load Dispute Process	5
6.1	Initiation and Pursuit of AML Dispute	5
6.2	Deadline for Initiating AML Dispute Process	5
6.3	Failure to Pursue AML Dispute.....	5
6.4	Dispute Resolution Process	6

As Approved by TAC on 05/08/08
Electric Reliability Organization Fee Assessment and Collection Guide

1 Electric Reliability Organization Authority

By certifying the North American Electric Reliability Corporation (NERC) as the Electric Reliability Organization (ERO), the Federal Energy Regulatory Commission (FERC) granted NERC's proposal to allocate its annual reliability program costs among load serving entities on the basis of net energy for load (NEL). The Federal Power Act requires that FERC's certification of NERC include establishment of rules allowing for allocation of fees and charges to end-users.

2 North American Electric Reliability Corporation Budgeting Process

2.1 NERC Budgeting Process

- (1) The NERC budgeting process consists of having each regional entity submit its annual budget request to NERC. NERC reviews and approves each regional entity's budget for meeting the requirements of its Delegated Authority.
- (2) NERC submits to FERC the entire annual budget of statutory and any non-statutory activities for each regional entity. FERC then issues an order regarding the NERC budget and business plan.

2.2 Annual Fee Notification

After FERC issues an order establishing the NERC charges for the following year, ERCOT will notify all Qualified Scheduling Entities (QSEs)¹ of their quarterly payment amount for the following fiscal year.

3 Calculation of the Electric Reliability Organization Fee

3.1 Calculation of Electric Reliability Organization Fee

3.1.1 *Net Energy for Load (Adjusted Metered Load)*

To fairly allocate its expenses for all statutory functions among interconnections and regional entities, NERC provides a funding mechanism based on Net Energy for Load (NEL). NEL means net generation of an electric system plus energy received from other balancing authority areas less energy delivered to other balancing authority areas through an interchange or, in ERCOT terminology, Adjusted Metered Load (AML). FERC has determined that funding based on NEL is a fair, reasonable and uncomplicated method minimizing the possibility of double-counting. NERC allocates its costs so all Load bears an equitable share of such costs based on NEL.

¹ Unless otherwise indicated, capitalized terms in this document have the same meanings ascribed to them in the ERCOT Protocols.

As Approved by TAC on 05/08/08
Electric Reliability Organization Fee Assessment and Collection Guide

3.1.2 Calculation of Net Energy for Load

Calculation of NEL is based on AML data. ERCOT will post AML data, for each Load Serving Entity (LSE), by August 1 for the previous calendar year for use in calculating the NEL for the following year (January 1 through December 31). An LSE may review and dispute its AML data as set forth in Section 6, Adjusted Meter Load Dispute Process. If an LSE does not timely dispute its AML data, that data will be deemed correct. ERCOT will finalize AML data by September 15.

3.1.3 Calculation of Qualified Scheduling Entity’s Shares of NERC Charges

- (1) NERC sends to ERCOT quarterly invoices, for the NERC charges, consisting of the amount ERCOT must pay to NERC to fund NERC’s budget and the budgets of the various regional entities.
- (2) ERCOT shall calculate a QSE’s proportionate share of the NERC charges by employing the following formula:

$$EROF_q = \frac{LOAD_q * (NERCC + NERCC ADJ)}{LOAD_t}$$

The above variables are defined as follows:

Variable	Unit	Definition
EROF _q	\$	The QSE’s quarterly share of the next fiscal year’s NERC charges.
NERCC	\$	The total NERC charges for the appropriate quarter of the next fiscal year.
LOAD _q	MWh	The total Adjusted Metered Load (AML) of all LSEs represented by the QSE for the calendar year (or part thereof) prior to the year in which ERCOT performs the calculation.
LOAD _t	MWh	The total Adjusted Metered Load (AML) in the ERCOT Region for the calendar year prior to the year in which ERCOT performs the calculation.
q	None	A QSE representing an LSE in the year during which ERCOT assesses the EROF _q .
NERCCA DJ	\$	When necessary, unpaid EROF amounts from a previous period.

Electric Reliability Organization Fee Assessment and Collection Guide

3.2 Recalculating Electric Reliability Organization Fee When an LSE Ceases to Transact in the ERCOT Region

- (1) When an LSE included in the calculation of the EROF ceases to transact in the ERCOT Region, that LSE's portion of the NERC charges will be collected from the remaining LSEs by removing the AML associated with that LSE from $LOAD_t$ of the $EROF_q$ formula, above.
- (2) Not less than fifteen calendar days prior to the due date for a quarterly payment, ERCOT will notify each QSE of an adjustment to its $EROF_q$ resulting from an LSE's ceasing to transact in the ERCOT Region. ERCOT will provide all variables to QSEs for shadow settlement purposes.

3.3 Inclusion of a New Load Serving Entity

A QSE representing an LSE that did not serve end-users during the previous calendar year will not be invoiced for that LSE's AML until the beginning of the calendar year following the year in which the LSE began to transact in the ERCOT Region.

4 Billing and Collection of the Electric Reliability Organization Fee

4.1 Billing

The Federal Power Act requires that NERC charges be allocated among end-users or their designees. Because ERCOT does not have a direct financial relationship with LSEs or end-users, ERCOT will send EROF Invoices to QSEs representing LSEs. NERC sends invoices to ERCOT on a quarterly basis, forty-five calendar days before the date on which ERCOT must pay the NERC invoice. ERCOT's Finance Department will issue to QSEs (via email) four EROF Invoices each year, issuing each invoice no less than thirty calendar days prior to the date on which ERCOT must pay NERC the quarterly NERC charges. ERCOT must pay NERC the quarterly NERC charges on January 1st, April 1st, July 1st and October 1st. The EROF Invoices shall be due and payable within ten calendar days of the date on which ERCOT issues the invoice.

4.2 Collection from Non-paying Entities

- (1) Each QSE must ensure timely payment of all EROF Invoices. Each QSE must submit the amount due on the EROF Invoice by the close of the due date set forth on the EROF Invoice (or, if the due date is not a Bank Business Day, on the next calendar day that is a Bank Business Day). The failure of a QSE to pay when due any amount in an EROF Invoice shall constitute a breach of the QSE's Standard Form Market Participant (MP) Agreement with ERCOT unless cured pursuant to the terms of the MP Agreement. Additionally, any failure to timely pay the EROF by a QSE will constitute a default under any and all other agreements between ERCOT and the QSE. In the event of a failure to timely pay an EROF Invoice, ERCOT will immediately contact the QSE's

Electric Reliability Organization Fee Assessment and Collection Guide

Authorized Representative(s) and credit contact telephonically and demand payment of the past due amount.

- (2) If the QSE does not timely cure a failure to pay the EROF, ERCOT may revoke one or more of a QSE's rights to conduct activities under the ERCOT Protocols and may terminate a Standard Form Market Participant Agreement with ERCOT and any other agreements between that QSE and ERCOT.
- (3) ERCOT will attempt to collect the EROF from a non-paying QSE using commercially reasonable means. If, in its sole discretion, ERCOT determines that it cannot collect any unpaid EROF amount, ERCOT will include the unpaid amount in the calculation of the EROF_q for the next subsequent quarter as set forth in Section 3.2, Recalculating Electric Reliability Organization Fee When an LSE Ceases to Transact in the ERCOT Region.

5 Revisions to this Guide

The ERCOT Technical Advisory Committee (TAC) must approve any proposed revisions to this Guide.

6 Adjusted Meter Load Dispute Process

If an LSE wishes to dispute the AML posted by ERCOT and used to calculate the LSE's portion of the EROF, it shall use the procedures set forth in this section.

6.1 Initiation and Pursuit of AML Dispute

In order to initiate the AML Dispute Process, an LSE must submit a written request to the ERCOT General Counsel. ERCOT shall acknowledge the dispute and assign the dispute a number within two Business Days of the date on which ERCOT received the dispute. The written request shall include the following information:

- (a) The name of the disputing entity;
- (b) A contact person for the disputing entity and contact information for that person;
- (c) The AML the LSE claims should be used in the calculation; and
- (d) A detailed explanation of the reason the LSE disagrees with the AML posted by ERCOT.

6.2 Deadline for Initiating AML Dispute Process

The LSE submitting the dispute must provide Notice to the ERCOT General Counsel (as set forth above) within fifteen calendar days of the date ERCOT posted the AML for each LSE.

6.3 Failure to Pursue AML Dispute

If the LSE that raised the dispute fails to diligently pursue it, ERCOT shall send a Notification to the LSE's Dispute Contact setting forth a deadline within which the LSE must respond in

Electric Reliability Organization Fee Assessment and Collection Guide

order to preserve its rights. The deadline shall be no less than six calendar days from the date ERCOT sends the Notification. If the LSE fails to timely respond to two such Notifications, the LSE will be deemed to have waived its rights and the dispute shall be deemed closed. An affirmative statement in writing (including e-mail) that the LSE intends to pursue the dispute and a proposed course of action, including a proposed timeline, shall preserve the LSE's rights.

ERCOT will make reasonable attempts to resolve disputes prior to the issuance of the next quarterly EROF Invoice.

6.4 Dispute Resolution Process

- (1) All disputes shall be referred to a senior dispute representative of each party to the dispute. The senior dispute representative shall be an individual with authority to resolve the dispute and administer the resolution (through delegation or otherwise). Such representatives shall make a good faith effort to resolve the dispute informally as promptly as practicable.
- (2) If the senior dispute representatives cannot resolve the dispute by mutual agreement within ten calendar days of the date on which they take part in a meeting, ERCOT shall use the originally-calculated AML data.