



Control Number: 14406



Item Number: 268

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PUBLIC UTILITY COMMISSION
FILING CLERK

Javier Antonio Vega
Rayo Energy, LLP
7818 Buffalo Speedway
Houston, Texas 77025
(713) 859-9938
javier@rayoenergy.com

May 13, 2003

14406

Public Utilities Commission of Texas
Attn: Filing Clerk- Central Records Division
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

Subject: Initial Registration Information for Rayo Energy as Power Marketer in State of Texas

To whom it may concern:

Please find the Initial Information enclosed for Rayo Energy registering as a Power Marketer in the State of Texas.

Regards,



Javier A. Vega
President, Rayo Energy, LLC

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In accordance with Chapter 25.105, Substantive Rules Applicable to Electric Service Providers, Rayo Energy, LLP, is providing the following Initial Information.

Initial Information:

1. Company Address, Contact Information and Ownership:

1a.	Company Address	7818 Buffalo Speedway, Houston, Texas 77025
1b.	Contact Name	Javier Antonio Vega
1c.	Contact Address	7818 Buffalo Speedway, Houston, Texas 77025
1d.	Contact Phone Number	713-859-9938
1e.	Contact Fax Number	832-201-8428
1f.	Contact E-mail Address	javier@rayoenergy.com

2. Company Ownership

1g.	Owner	Shahid J. Malik (50% ownership)
1g.	Owner	Javier A. Vega (50% ownership)

2. Identity of Each Affiliate:

2.	Single Affiliate	Rayo Energy will buy and sell wholesale power in the state of Texas within and may sell retail power in the state of Texas. Rayo Energy is not an electric or municipally owned utility.
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3. Description of location of all facilities in Texas used to provide electric service.

3.	Texas Facilities Description	Rayo Energy office address is 7818 Buffalo Speedway, Houston, Texas 77025
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4. Description of the type of service provided

4.	Services Provided	Rayo Energy will buy and sell electric power and ancillary services at the wholesale level. Rayo Energy will participate in markets for standardized and structured products for energy, capacity, transmission, and ancillary services.
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5. FERC Registration Information

5.	FERC Status	Rayo Energy registered with the FERC on April 28 th , 2003 to
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		transact at market based rates. The Rayo Energy application is currently in the comment period. A copy of Rayo Energy FERC filing is provided in Attachment A.
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6. An affidavit from an authorized Rayo Energy employee is provided at Attachment [B] stating that Rayo Energy is a power marketer.

Rayo Energy will report any substantial change to the information provided within 30 days of the change as prescribed by the substantive rule.

Regards,
Javier A. Vega 
President, Rayo Energy, LLC

Javier Antonio Vega
Rayo Energy, LLP
7818 Buffalo Speedway
Houston, Texas 77025
(713) 859-9938
javier@rayoenergy.com

May 13, 2003

Public Utilities Commission of Texas
Attn: Filing Clerk- Central Records Division
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

Subject: Affidavit stating Rayo Energy is Power Marketer in State of Texas

To whom it may concern:

This affidavit is provided to the Public Utilities Commission of Texas to affirm that Rayo Energy intends to operate as a power marketer in the State of Texas.

As a power marketer Rayo Energy will buy and sell electric power and ancillary services at the wholesale level. Rayo Energy will participate in markets for standardized and structured products for energy, capacity, transmission, and ancillary services.

Regards,

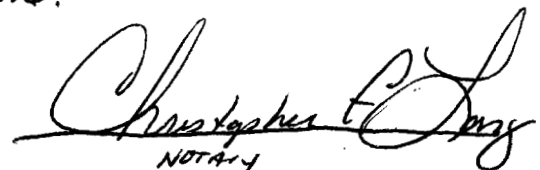


Javier A. Vega
President, Rayo Energy, LLC

The STATE OF TEXAS
County of Harris

This instrument was subscribed, sworn to and acknowledged before me on the 13 day of May by JAVIER A. VEGA
a person whose identity is known to me.

Attachment [B]


NOTARY

Christopher F. Lang
Printed Name

April 28, 2003

Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: RAYO ENERGY: Docket No. ER03 - ____

Dear Secretary Magalie Roman Salas,

Please find ten (10) copies of Rayo Energy compliance filing regarding its request to transact energy, capacity and ancillary services at market-based rates. The Rayo Energy compliance filing includes:

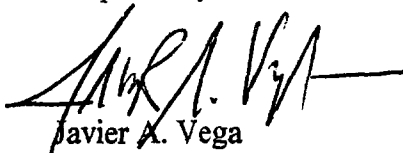
- Ten (10) copies of **APPLICATION OF RAYO ENERGY LLP. FOR ORDER ACCEPTING RATE SCHEDULE FOR FILING, WAIVING REGULATIONS, AND GRANTING BLANKET APPROVALS**
- Ten (10) copies of **Attachment A: Original Rate Schedule FERC No. 1, Original Sheet No. 1 for Rayo Energy LLP**
- Ten (10) copies of **Attachment B: Notice of Filing**

One of these ten copies is marked "Please Date and Return." A return envelope is enclosed for the return mailing.

Please forward a copy of this filing directly to Iris Curtis. She can be reached at 202-502-8247.

Please do not hesitate to contact me at any time if you have any questions or if there is anything else I should need to do or provide.

Respectfully Submitted,



Javier A. Vega
President

Rayo Energy
7818 Buffalo Speedway
Houston, Texas 77025
281-630-3700

4/28/03
FERC FILING
PULL Attachment (A)
5/13/03
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**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Rayo Energy LLP

Docket No. ER03-

**APPLICATION OF RAYO ENERGY LLP.
FOR ORDER ACCEPTING RATE SCHEDULE FOR FILING,
WAIVING REGULATIONS, AND GRANTING BLANKET APPROVALS**

Pursuant to Section 205 of the Federal Power Act ("FPA") and Regulations of the Federal Energy Regulatory Commission ("FERC" or "Commission"), Rayo Energy LLP ("REL") hereby submits for filing its initial rate schedule ("Rate Schedule FERC No. 1, Original Volume No. 1") for the sale of energy and/or capacity at market-based rates.

REQUEST FOR AUTHORITY TO TRANSACT AT MARKET-BASED RATES

Rayo Energy LLP requests authorization to sell energy, capacity and certain ancillary services to wholesale customers at market-based rates under the terms of the attached Tariffs. The Commission has determined that parties will be allowed to engage in wholesale power sales at market rates provided the seller and each of its affiliates do not have, or have adequately mitigated, market power in generation and transmission, and cannot erect barriers to entry. See, e.g., Arizona Public Service Co., 79 FERC ¶ 61,022 (1997); Heartland Energy Services, Inc., 68 FERC 161,223 (1994).

In support hereof, REL states as follows:

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As described in more detail below, REL hereby seeks an order from the Commission:

- (i) authorizing REL to engage in sales of electric energy and/or capacity at wholesale at market based rates pursuant to REL's Electric Rate Schedule FERC No. 1, Original Volume No. 1, Original Sheet No. I (Appendix A);
- (ii) granting REL such waivers, pre-approvals and authorizations as have been granted to other sellers of wholesale power that do not have a franchised service territory (including, but not limited to, waiver of cost-of-service filing requirements and Subparts B and C of 18 C.F.R. Part 35, 18 C.F.R. Parts 41, 45, 101, and 141, and blanket approval of future issuances of securities and assumptions of liability).

CC: Iris Curtis

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IDENTIFICATION OF APPLICANT AND ITS AFFILIATES

A. Rayo Energy LLP. (REL)

REL is a Texas corporation with its principal place of business in Houston, Texas. REL is a company jointly owned by Mr. Javier A. Vega who is the President and COO and Mr. Shahid Malik who is CEO.

Mr. Javier Vega has no affiliation with any power marketing firm and is not employed by a power marketing firm or a regulatory agency.

Mr. Shahid Malik has no affiliation with any power marketing firm and is not employed by a power marketing firm or a regulatory agency.

REL intends to act as a power marketer, purchasing electricity (including energy and ancillary services) and reselling it to wholesale customers initially within the market operated by Ercot. All of the wholesale power transactions between REL and its purchasers will be at rates negotiated between the parties to the transaction, as set forth in REL's tariff, Rate Schedule FERC No. 1. REL has no affiliates engaged in power marketing, generation or transmission businesses.

III.

COMMUNICATIONS

All communications concerning this Application should be directed to:

Javier A. Vega,
Rayo Energy LLP,
7818 Buffalo Speedway,
Houston TX 77025
(713) 859-9938

IV.

DESCRIPTION OF PROPOSED ELECTRIC POWER TRANSACTIONS

REL will sell energy, capacity, and certain ancillary services at market-based rates under its Rate Schedule FERC No. 1, Original Volume No. 1.

V.

REL MEETS THE COMMISSION'S REQUIREMENTS FOR MARKET-BASED RATE AUTHORITY

The Commission has granted market-based rate authority to power marketers when it has determined that the marketer and its affiliates do not have, or have adequately mitigated, market power in generation and transmission, cannot engage in anti-competitive practices through preferential affiliate transactions or reciprocal dealing, and

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cannot otherwise erect barriers to market entry by competing suppliers. *See, e.g., UBSAG*, 98 FERC ¶ 61,255 (2002); *First Energy Servs., Inc.*, 94 FERC ¶ 61,052, at 61,251 (2001).

A seller lacks market power in generation if it can show that, viewed together with its affiliates, (i) it is not a dominant firm in the sale of generation in the relevant market, (ii) it neither owns nor controls transmission facilities through which a buyer could reach alternative sellers, and (iii) it cannot erect or control other barriers to entry into the market. In addition, the Commission considers opportunities for affiliate abuse or reciprocal dealing. *See, e.g., Lowell Cogeneration Co. L.P.*, 80 FERC ¶ 61,052, at 61,156 (1997).

Under the analysis used by the Commission in considering the applications of other power marketers, including the Commission's supply margin assessment analysis methodology, REL lacks the ability to engage in anti-competitive actions.

A. REL Lacks Generation Market Power

REL does not own, operate or control any generation facilities and is seeking authorization to sell electricity into the ERCOT and other markets. Thus, REL lacks market power in generation. Moreover, REL will not be affiliated with an entity that owns, operates or controls generation facilities. Thus REL lacks market power in electric generation.

B. REL Lacks Transmission Market Power

REL does not own, operate or control any transmission facilities. Therefore, REL has no market power in transmission.

C. REL Cannot Erect Other Barriers to Entry

In addition to not possessing market power in the relevant generation and transmission markets, REL will not be able to erect or otherwise control barriers to entry into the electric market.

D. There is No Risk of Affiliate Abuse or Self-Dealing Relating to REL Request for Market-Based Rate Authority

REL will not have a franchised service territory nor any affiliates with a franchised service territory. Accordingly, there is no potential for affiliate abuse or self-dealing. (*See US Gen Power Services, LP.*, 73 FERC ¶ 61,302 at 61,845-46 (1995).

Given that REL will lack transmission or generation market power and cannot erect other barriers to entry, and there is no potential for affiliate abuse or self-dealing, the Commission should approve its request for market-based rates.

REPORTING REQUIREMENTS

REL agrees to the reporting conditions previously required of other similarly-situated entities that transact at market-based rates, including the filing of quarterly transaction summaries with the Commission.

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REL further commits to either: (1) notify the Commission of any change in status that would reflect a departure from the facts upon which the Commission is relying to approve market-based prices for REL, or alternatively, (ii) report such changes with an updated market analysis which would be submitted every three years, consistent with prior Commission orders. See Morgan Stanley Capital Group, Inc., 69 FERC ¶ 61,175, at n.7 (1994), order on re 'g, 72 FERC ¶ 61,082 (1995).

VI.

WAIVER OF CERTAIN REGULATIONS

In addition to the request for market-based rate authority, REL requests the following authorizations and waivers of various Commission regulations, which are consistent with those granted by the Commission for other sellers of power at market-based rates?

- 1) Waiver of the filing requirements of Subparts B and C of Part 35 of the Commission's regulations, except Sections 35.12(a), 35.13(b), 35.15, and 35.16;
- 2) Waiver of the accounting, reporting, and other requirements of Parts 41, 101 and 141 of the Commission's regulations;
- 3) Waiver of the full filing requirements of Part 45 (requiring only an abbreviated filing identifying any interlocking directorates) of the Commission's regulations;
- 4) Blanket authorization for issuances of securities or assumptions of liabilities pursuant to Section 204 of the FPA, 16 U.S.C. § 824c, and Part 34 of the Commission's regulations; and
- 5) Waiver of the Commission's notice and filing requirements, 18 C.F.R. § 35.3, that may be necessary in order to allow the rate schedule to be effective upon the issuance of an order accepting REL's Rate Schedule FERC No. 1, Original Volume No. 1, for filing, as discussed below.

VII.

EFFECTIVE DATE

REL respectfully requests that the Commission issue an order accepting Rate Schedule FERC No. 1, Original Volume No. 1, to become effective on or before May 15th 2003. REL respectfully requests that the Commission waive the 60-day notice requirement of Section 35.3 of the Commission's regulations.

VIII.

FORM OF NOTICE

A notice of this filing, suitable for publication in the Federal Register is attached as Appendix B to this Application. An electronic version of the notice is also provided in electronic diskette format.

IX.

CONCLUSION

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For the foregoing reasons, REL respectfully requests that the Commission:

- 1) Accept for filing REL's rate schedule entitled "Rate Schedule FERC No. 1," which provides for the sale of energy, capacity;
- 2) Grant the waivers, approvals and authorizations requested herein.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Javier A. Vega", with a long horizontal stroke extending to the right.

Javier A. Vega,
President, Rayo Energy LLP

Dated: April 29th, 2003

Rayo Energy LLP
ELECTRIC MARKET-BASED RATE TARIFF
FERC NO. 1

Availability: Rayo Energy LLP (REL) makes electric energy and capacity available under this Rate Schedule for wholesale sales to any purchaser with whom REL has contracted.

Applicability: This schedule is applicable to all wholesale sales by REL of (i) electric capacity; (ii) electric energy; (iii) within the markets administered by the PJM PX: Energy Imbalance and Operating Reserves (which includes Spinning Reserves, Ten Minute Reserves and Thirty Minute Reserves); within the markets administered by the NY-ISO: (a) Ten Minute Non-Synchronous Reserves, (b) Thirty Minute Operating Reserves, (c) Ten Minute Spinning Reserves, (d) Ten Minute Non-Spinning Reserves, (e) Regulation and Frequency Response Service, and (f) Installed Capacity; (v) within the NEPOOL markets: (a) Ten Minute Spinning Reserves, (b) Automatic Generation Control, (c) Ten Minute Non-Spinning Reserves, (d) Thirty Minute Operating Reserves, (e) Operable Capability, and (f) Installed Capacity; (vi) within the markets administered by ERCOT and its ISO: (a) Regulation Service – Down, (b) Regulation Service-Up, (c) Balancing Energy Service, (d) Responsive Reserve Service, (e) Non-Spinning Reserve Service, (f) Replacement Reserve Service, (g) Voltage Support, (h) Black Start Service, (i) Reliability Must Run Service, (j) Out of Merit Capacity Service, (k) Out of Merit Energy Service; (vii) additional Ancillary Services in the control areas of the NY ISO, NEPOOL, PJM PX [and the ERCOT ISO] and in additional geographic markets as the Commission may specify and authorize from time-to-time in orders that extend such authority to all sellers previously authorized to sell energy and/or capacity at market-based rates; and (viii) any other products which are not Ancillary Services within the meaning of Order No. 888.

Rates: All sales shall be made at rates established by agreement between the purchasers and REL.

Other Terms and Conditions: All other terms and conditions shall be established by agreement between the purchaser and REL.

Transmission Capacity Reassignment: Rayo may reassign transmission capacity that it has reserved for its own use at a price not to exceed the highest of: (1) the original transmission rate paid by Rayo; (2) the applicable transmission provider's maximum stated firm transmission rate on file at the time of the transmission reassignment; or (3) Rayo's own opportunity costs, capped at the applicable transmission provider's cost of expansion at the time of the sale to the eligible customer. Rayo will not recover opportunity costs in connection with reassignments without making a separate filing under section 205 of the Federal Power Act. Except for the price, the terms and

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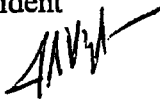
conditions under which the reassignment is made shall be the terms and conditions governing the original grant by the transmission provider. Transmission capacity may be reassigned only to a customer eligible to take service under the transmission provider's open access transmission tariff or other transmission rate schedules. Rayo will report the name of the assignee in its quarterly reports.

Effective Date: This Rate Schedule is effective as of April 30th 2003.

Revisions: This Rate Schedule may be revised by notifying the purchaser in writing and by unilaterally making the appropriate filing with the Commission pursuant to the provisions of Section 205 of the Federal Power Act; provided, however, that such revision shall not affect the rates, terms and conditions of any transactions entered into with purchaser prior to the date of the Commission's approval of such revision, unless otherwise agreed to by the purchaser and REL.

Duration: This Rate Schedule shall continue in effect until terminated or changed. Such termination and change shall take effect in accordance with applicable regulatory requirements.

Issued by: Javier A. Vega, President
Issued on: April 29th, 2003



Effective: May 15th, 2003

Attachment B

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION
Rayo Energy LLP. Docket No. ER03- -000
NOTICE OF FILING

(April 29th 2003)

Take notice that on April 29th, 2003, Rayo Energy LLP (REL) tendered for filing with the Federal Energy Regulatory Commission (Commission), an application for authority to sell electric energy, capacity and certain ancillary services at market-based rates under Section 205(a) of the Federal Power Act, 16 U.S.C. § 824d (a), and accompanying requests for certain blanket approvals and for the waiver of certain Commission regulations. REL requests that the Commission accept its Original Rate Schedule FERC No. 1 for filing.

Any person desiring to intervene or to protest this filing should file with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designated on the official service list. This filing is available for review at the Commission or may be viewed on the Commission's web site at <http://www.ferc.gov> using the "RIMS" link, select "Docket #" and follow the instructions (call 202-208-2222 for assistance). Protests and interventions may be filed electronically via the Internet in lieu of paper; see 18 CFR 385.2001 (a) (1) (iii) and the instructions on the Commission's web site under the "e-Filing" link.

Comment Date:

Magalie R. Salas
Secretary