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REPORT OF THE ELECTRIC
RELIABILITY COUNCIL OF TEXAS
(ERCOT) TO THE PUCT REGARDING
IMPLEMENTATION OF THE ERCOT
PROTOCOLS

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PUBLIC UTILITY COMMISSION
FILING CLERK

OF TEXAS

**RELIANT RESOURCES, INCORPORATED'S
REPLY COMMENTS TO ORDER 13**

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August 13, 2002

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**RELIANT RESOURCES, INCORPORATED'S
REPLY COMMENTS TO ORDER 13**

Reliant Resources Incorporated ("RRI") appreciates the opportunity to reply to the comments filed by other parties in the above captioned proceeding. In particular RRI will address the Public Utility Commission Staff's ("Staff") comments in response to the issues presented in Order 13.

In the initial Order in Docket No. 23220, the Public Utility Commission of Texas ("Commission") established a \$1,000 energy bid cap on generators providing Balancing Energy Services ("BES"). The Commission saw the need to impose this bid cap as a "circuit breaker" to mitigate the effects of the potential exercise of market power in the new emerging competitive retail market. However, the Commission set an expiration date for the bid caps of July 4, 2003, anticipating that other solutions would be in place by that time, to respond to generation market power issues. The Commission reaffirmed its position on this matter in its Order On Rehearing in Docket No. 23220. Concurrently, the Commission encouraged market participants to explore alternative solutions to price caps as a means to mitigate market power, and those activities are ongoing.

Throughout this proceeding, RRI understood that Staff favored maintaining the expiration date of the BES bid cap. Indeed, even as Staff proposed an expansion of bid caps to each of the "daily" ancillary service capacity markets, Staff acknowledged the need for an expiration date of such measures by stating, "Furthermore, it is appropriate to set an expiration date for these caps at the same date as the expiration of the BES bid cap...."¹ In its Reply Brief in Docket No. 24770, the Staff, addressed ERCOT's position regarding the implementation of a replacement reserve generator bid cap and reiterated its approval of the expiration date by stating, "Furthermore, ERCOT agrees with Staff that the replacement reserve generator bid cap

¹ Docket 24770, Commission Staff's Initial Brief, pp.22-23

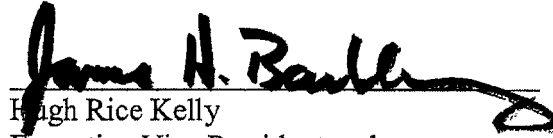
be \$1,000/MWh and should expire on the same day as the existing \$1,000/MWh generator balancing energy bid cap.”²

However, Staff is now withdrawing its support of the Commission ordered expiration date for generator energy bid caps, and requests the Commission to do so as a part of the final order in *this* docket. RRI believes this request is inappropriate. The determination of whether to continue the bid caps should be based on the state of the market closer to the expiration date. By examining those market conditions, the Commission and market participants can evaluate the progress of alternative solutions or other market mechanisms as they relate to the expiration date.

RRI respectfully urges the Commission not to address this issue in this docket. Should the Commission find there is a need to review the expiration date in this docket all interested parties should be afforded time to respond properly to Staff’s request.

² Docket 24770, Commission Staff’s Reply Brief p.15

Respectfully submitted,



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ATTORNEYS FOR
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served on all parties of record in this proceeding by hand delivery, overnight delivery, or United States first class mail on this 13th day of January, 2002.

