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PROJECT NO. 34577

PROCEEDING TO DEVELOP
POLICY RELATING TO EXCESS
DEVELOPMENT IN COMPETITIVE
RENEWABLE ENERGY ZONES

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REPLY COMMENTS OF
RELIANT ENERGY RETAIL SERVICES, LLC

Contact: Jonathan L. Heller
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November 5, 2007

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PROCEEDING TO DEVELOP	§	PUBLIC UTILITY COMMISSION
POLICY RELATING TO EXCESS	§	
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RENEWABLE ENERGY ZONES	§	

REPLY COMMENTS OF RELIANT ENERGY RETAIL SERVICES, LLC

Reliant Energy Retail Services, LLC (“Reliant” or “Company”) appreciates the opportunity to submit comments on issues that are arising in the *Proceeding to Develop Policy Relating to Excess Development in Competitive renewable Energy Zones*.

Responses to Commission Questions

In this Project, the concept of “priority dispatch” for wind projects developed by voluntary participants in the CREZ process is being considered. In earlier filings in this project, Reliant noted that the economics of the nodal market will inherently dispatch the most cost effective resources to the fullest extent possible (subject to transmission security constraints) at all times.¹ Thus, resources providing the most value at the least cost will always be at the maximum output level that can be accommodated. In this project, the Commission is considering priority dispatch among wind generators to disincant the “piling on” concern that has been raised in the past. Reliant can support a wind-on-wind priority dispatch mechanism as long as costs to customers are not increased as a result. The Commission has requested comments on dispatch priority options, and in particular, further discussion and clarification on previously filed responses to the questions below.

1. Do these five options represent the universe of potential ways the commission could deal with excess wind development in the CREZ regions or are there other ways the commission could address the potential over development issue?

a. Day Ahead Operating Limit with pro-rata Curtailment Distribution

¹ Presentation of Reliant Energy, Inc., filed September 18, 2007, in Project 34577.

- b. Day Ahead Operating Limit with Last in First Out Curtailment Priority*
- c. Adjusted Offer Floor*
- d. Offer Curve Adder*
- e. Texas Nodal with Financial Transmission Rights*

Depending on the implementation, one potential problem with Options (a)-(d) is that they require either changes to the SCED program or result in higher clearing prices for customers. If the Commission determines that priority dispatch is warranted for CREZ participants, Reliant suggests a variant of “Option C”, so that CREZ-designated wind generators be allowed to bid a lower negative price than non-CREZ wind generators. If the Commission chooses this option, the CREZ-designated wind generation will be allowed to dispatch before non-CREZ wind generation if system conditions allow. When faced with transmission constraints, the priority dispatch among wind generators will be determined by which wind generator is willing to pay more to operate in order to receive the non-energy benefits of production tax credits and renewable energy credits. Under this option, Customers should not have to pay higher costs due to higher positive energy bids, and the SCED program can remain unchanged.

Under Option (e), which seems to suggest discounted CRRs, Reliant points out that any deviation from participation in the CRR auction as currently structured will impact overall CRR auction revenues, which flow to load on a load ratio share basis. Thus, Reliant objects to any discounted CRR proposal.

2. Which one of the options listed in question one is the most appropriate? Please explain.

Please see the response to Question 1.

3. Please identify every entity type that should be considered in the course of drafting this rule. For example, entity types might include entities owning wind farms that have already been constructed within a Competitive Renewable Energy Zone (CREZ); CREZ proceeding participants that intend to construct wind farms within a CREZ and commit resources pursuant to CREZ requirements; or, entities with existing or planned wind farms outside of a CREZ that desire to connect to a CREZ transmission line or facility at

a point outside of the CREZ, etc. For each type, please identify and describe the entity and then explain how said entity type should be addressed by dispatch priority and/or financial transmission rights within the Texas nodal market design.

Reliant has no comment at this time.

Conclusion

Reliant appreciates the opportunity to provide comments and intends to participate in future discussions.

Respectfully submitted,



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