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PROJECT NO. 35767
PUBLIC UTILITY COMMISSION OF TEXAS
PUBLIC NOTICE OF WORKSHOP ON RETAIL ELECTRIC PROVIDER
CERTIFICATION AND REQUEST FOR COMMENTS

<p>The staff of the Public Utility Commission of Texas (commission) will hold a workshop regarding Retail Electric Provider selection, on Friday, August 15, 2008, at 9:30 a.m. in Commissioners' Hearing Room, located on the 7th floor of the William B. Travis Building, 1701 North Congress Avenue, Austin, Texas 78701. Project Number 35767, *Rulemaking relating to the Certification of Retail Electric Providers*, has been established for this proceeding.

<p>Prior to the workshop, the commission requests that interested persons file responses to the following questions from the perspective of improving the quality of Retail Electric Providers (REPs) participating in the market, improving the quality of information available to assess the financial health of REPs participating in the market, and protecting customer deposits and Transmission and Distribution Utility (TDU) financial integrity:

1. Should the financial qualifications for REPs require cash-like assets that can be readily applied to the REP's obligations to refund customer deposits and advance payments and obligations to TDUs, such as posting letters of credit (LOC) or obtaining surety bonds? Should creditworthy REPs (investment-grade) be exempt from any LOC or surety bond requirements, and allowed to continue to maintain customer deposits in restricted cash accounts?
2. The commission has drawn funds from a LOC through the contested-case process. In one case, it took approximately six months to draw on the LOC and return deposits to customers. By comparison, ERCOT has the ability to draw on an LOC and distribute the funds to damaged parties in a matter of days. How could the commission expedite a draw of funds

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from an LOC? Is additional authority required for the commission to draw funds from a LOC immediately?

3. Are there mechanisms or instruments other than LOCs and surety bonds that provide at least the same level of security as an LOC or surety bond? If so, please identify and describe the mechanism or instrument and how the commission can use it to protect customer deposits.
4. (a) Should TDUs be given greater latitude in managing REP credit risks, such as by allowing them to collect deposits from REPs? If so, should the TDUs' latitude to manage REP credit risk be limited in any way? If a REP is unable to pay a TDU, under current business processes, the TDU can be exposed to providing approximately 85 days of unpaid service. How much of this exposure should the TDU be allowed to mitigate? Should creditworthy REPs be exempt from TDU deposit requirements? Should TDUs offer unsecured credit based on payment history?

(b) Alternatively, should the financial requirements of REPs be modified to so that TDUs are better protected from REP credit risks?
5. Should the billing cycle in the standard delivery tariff be shortened to limit exposure? If so, should REPs be permitted to use shorter billing cycles?
6. Based on your market experience, what is the appropriate minimum capital required for the initial start-up operation of a REP? The response should consider initial and near term liquidity needs for the purchase of wholesale electricity, collateral requirements, computer software and infrastructure, personnel, contract services, commodity risk management, marketing, and legal expenses. The response may include one scenario or a range of scenarios based on different market conditions, and should be supported with data where possible.
7. Should the financial standards for REP certification be divided into tiers, such that the creditworthiness of each REP and applicant is categorized into successive tiers of qualification with higher financial requirements for companies with higher levels of exposure to market

risks? Should such a tier system employ incentives for lower tier REPs to apply for and obtain higher tier status (or qualify for an automatic upgrade based on a periodic review) when warranted? Should exposure limits (load limits, customer deposit restrictions, etc.) be imposed on lower tier REPs?

8. Should the revised rule incorporate limits on changes in exposure to market risks (load growth, restrictions on the offering of fixed price contracts to customers, or other restrictions designed to mitigate exposure to risk)? What requirements, including timing, should the rule set for updating financial qualifications consistent with growth in customer deposits and prepayments?
9. Should there be separate financial standards for pre-pay REPs?
10. Should the commission consider key elements of a REP applicant's business plan, such as power acquisition, risk management, and retail pricing, in evaluating the financial requirements in an application for certification?
11. Should REPs be required to submit quarterly financial reports? Should REPs be required to submit quarterly reports on power acquisition, risk management and their current retail contracts?
12. Should the commission disqualify owners, principals, and Board members of a company that has defaulted with ERCOT or a TDU or whose customers have been transferred in a mass transition from being an owner, principal, or Board member of another REP?
13. Should the technical requirements for REP certification be modified? What standards are appropriate?
14. Should the standards and procedures for certificate amendments and/or transfers be modified? If so, how?

15. Does the commission have the ability to prescribe by rule conditions that would result in automatic suspensions or revocations of REP Certificates? If so, should the rule allow for automatic suspensions or revocations of REP Certificates? Under what circumstances would an automatic suspension or revocation be appropriate? What process should the commission use to confirm automatic suspensions or revocations?

16. If the commission adopts more stringent certification requirements, should it grandfather existing REPs for a limited period, to permit them to demonstrate that they are in compliance with the new standards?

<p>Responses may be filed by submitting 16 copies to the commission's Filing Clerk, Public Utility Commission of Texas, 1701 North Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 by 3:00 PM on Tuesday, August 12, 2008. All responses should reference Project Number 35767.

<p>Questions concerning the workshop or this notice should be referred to Shawnee Claiborn-Pinto, Sr. Retail Market Analyst, at 512-936-7388. Hearing and speech-impaired individuals with text telephones (TTY) may contact the commission at (512) 936-7136.

**ISSUED IN AUSTIN, TEXAS ON THE 23rd DAY OF JULY 2008 BY THE
PUBLIC UTILITY COMMISSION OF TEXAS
ADRIANA A. GONZALES**