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Re: TIEC's Appeal of PRR 776

Ladies and Gentlemen:

Shell Energy North America (US), L. P. (Shell Energy) urges the Board of Directors (BOD) to reject TIEC's appeal of PRR 776 for the reasons included herein.

First and foremost approving PRR 776 without also approving PRR 791 would unnecessarily disrupt the market. PRR 776 removes most of the scarcity price revenues in the real-time balancing market that were initiated when PRR 650 was implemented. Although PRR 776 would result in a more efficient outcome than those currently resulting under PRR 650, it creates new problems that must be addressed before it can be implemented. These new problems, mainly reducing scarcity revenue in the real-time balancing market, are intended to be resolved in PRR 791. PRR 791 (Scarcity Pricing) was developed to address the shortcomings of PRR 776. Thus, it is important that both of these PRRs be approved by Board and implemented at the same time. If PRR 776 is adopted now, as requested by TIEC, leaving PRR 791 to be approved at a later time, it would damage the entire wholesale market, destabilize trading, and reduce confidence in the future of the market without an offsetting benefit.

TAC was in the middle of its work on PRR 776 and PRR 791 when TIEC asked the Board of Directors to intervene and approve PRR 776 in isolation. The stakeholders are meeting this week to try to resolve the issues and concerns with PRR 776 and PRR 791 before the next TAC meeting. Thus the Board of Directors should deny TIEC's appeal and allow TAC the opportunity to complete development of a comprehensive package that includes PRR 776 and PRR 791.

Shell Energy encourages the BOD to reject TIEC's appeal and allow the stakeholder process to complete the process that it is nearing completion.

Regards,

Jeff Brown  
Vice President  
Shell Energy North America (US), L.P.