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April 18, 2011

DELIVERED VIA EMAIL

ERCOT Board of Directors
ERCOT Austin
Executive and Administration Center
7620 Metro Center Drive
Austin, Texas 78744

NRG Texas, Calpine Corporation and Topaz Power Group (Generators) respectfully request the ERCOT Board of Directors approve all CRR obligation paths in the Balance of Year (“BoY”) auction pursuant to the ERCOT Board’s authority in Section 7.5.1(4)(c) of the Protocols and as per the Wholesale Market Subcommittee (WMS) recommendation. Generators also request that the BoY auction be held as currently scheduled without delay.

Generators are opposed to the ERCOT Staff recommendation to limit the CRR Obligation paths in the upcoming BoY auction. ERCOT’s proposal would limit CRR obligation bids in the BoY auction to be between hubs and load zones only. This proposal arbitrarily removes the ability of Generators to acquire CRR obligations from their generating resources to other delivery/settlement points, significantly reducing the ability to hedge summer 2011 risk in a commercially reasonable manner.

Generators also oppose any additional delay in conducting the BoY auction. Delaying the mechanism Generators use to hedge risks in bringing power to markets exposes suppliers to unnecessary uncertainty. Section 7.5.1(4)(c) of the Protocols states; “If six monthly CRR Auctions are completed prior to October 1, then CRR Options and ERCOT Board-approved PTP Obligations **will be** (emphasis added) auctioned for the balance of the current calendar year. The six required monthly CRR auctions have been completed. To delay the auction at this late stage violates the protocols, and is unfair and unacceptable. And as stated above, not approving PTP Obligation paths that include resource nodes significantly limits the ability of Generators to hedge congestion risk for the upcoming critical summer months.

ERCOT’s proposal has not had any formal review by the Technical Advisory Committee. Indeed, the only formal vote on this issue was held at a Special WMS meeting on Friday, April 15, 2011. The WMS voted to recommend that all CRR obligation paths be allowed in the BoY auction with all market segments present. Generators believe that current credit requirements to participate in the BoY auction are more than adequate to prevent defaults. In fact, ERCOT credit requirements are more stringent than any other RTO or ISO in the United States. That being said, improvements to the CRR auction processes and credit requirements may be desirable;

therefore, the Generators concur with the WMS recommendation to look at possible changes expeditiously and, if necessary, that ERCOT consider an NPRR to address improvements. We believe that such changes should be implemented in time for the first annual auction later this year.

Thank you for your consideration.

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NRG Texas

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Calpine Corporation

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(Signed original to follow via regular mail)