Discussion Guide for CRR Forward Exposure Agenda Item

5/25/2011

Agenda

1. Luminant to provide review and examples
2. Discuss alternative solutions
3. Discuss implementation hurdles
4. Discuss implementation goals

CRR Credit – FCE & Auction

	Issue	Proposals		Constraints		Solution & Implementation Goal	
		LUME's Proposal	Others	ERCOT	MP	Long Term Solution	Near Term Solution
Prepayment	Payment of term invoice post auction clearing	Revise the invoicing period from post auction to prior to the delivery month	N/A	TBD	TBD	TBD	TBD
	Collateralization of potential payment risk	Collateralize (a) max potential exposure rather than bid value for prompt month, (b) initial margin on delivery periods exceeding prompt month	N/A	TBD	TBD	TBD	TBD
Transparency	Multi-month auctions scheduled once per year	Schedule a multi-month auction to take place once per calendar month	N/A	TBD	TBD	TBD	TBD
Right Size Risk	Pre Auction Risk Adders to cover ACPE	Revise "A" to a path, term & product specific value	N/A	TBD	TBD	TBD	TBD
	Post Auction ACPE value	Revise the value of "X" &"Y" to a path, term & product specific values	N/A	TBD	TBD	TBD	TBD
Mark-to-Market Calculations	Reliability	Rather than using DAM settlement values for determining forward CRR market values & CRR Balancing Account Offsets, use the most recent multi-month clearing value	N/A	TBD	TBD	TBD	TBD
Other		Reduce available capacity and auction term from 24 months to 12 months	See Reliant Comment	TBD	TBD	TBD	TBD

Reliant's Comments

	RERS	357
Prompt	90.00%	90.00%
Prompt +1	86.67%	83.75%
Prompt +2	83.33%	77.50%
Prompt +3	80.00%	71.25%
Prompt +4	76.67%	65.00%
Prompt +5	73.33%	58.75%
Prompt +6	70.00%	52.50%
Prompt +7	66.67%	46.25%
Prompt +8	63.33%	40.00%
Prompt +9	60.00%	33.75%
Prompt +10	56.67%	27.50%
Prompt +11	53.33%	21.25%

- <u>Reason:</u> Allow for greater commercial flexibility, while still conservatively projecting system capacity in forward months