

EDF Trading North America, LLC (EDFT) provides the following comments on the congestion cost that STEC provided at the Sept TAC meeting. The STEC data ignores the CRR revenue that offsets the congestion cost. If the market was to perfectly converge the total CCR Revenues would completely offset the total congestion cost. Of course the market does not completely converge and there are difference between the allocation of congestion cost and the allocation of CRR Revenues. EDFT has attached the presentation provided to TAC with the inclusion of diagram explaining the offset.

STEC calculates congestion cost by forecasting congestion cost using real time shadow prices. STEC uses assumptions from market data from Dec 2010 through March 2011. While others have questioned using this data, and rightfully so, we used STEC's assumption for the purposes of determining the effect of CRR Revenues on STEC's forecast of congestion cost.

EDFT calculates the offset by CRR revenues as a percentage of the congestion cost. We assume that the DAM and RT shadow prices converge. This is consistent with STEC's assumption that the constraints will remain active in SCED. If market participants have confidence that the RT market will be priced by allowing SCED to manage constraints then the market participants will transact in the DAM to reflect the RT market pricing. We also make the assumption that market participants will purchase CRRs at least at the same percentage that they have to date in the nodal market. In other words the ratio of total CRR revenues to total congestion cost for the South Zone.

Our calculation indicates that the CRR revenues would offset the congestion cost by 71%. As example, STEC calculated that congestion cost for the WMS Proposal \$2000 reset would cost \$216,471,231 however with the offset of CRR Revenues the net cost would be \$62,776,657.

We believe that this calculation shows that STEC's forecasted congestion cost is overstated. We acknowledge that while CRR Revenue offsets congestion cost, the allocation of the congestion cost is evenly allocated to all load, while the load within congested areas are allocated a higher percentage of the congestion cost. This higher allocation was to encourage generation siting. However, it should be noted that once transmission is built into Valley relieving the congestion then the load in the Valley will more than likely receive a higher percentage of CRR revenues as it relates to any congestion that might occur in the ERCOT grid, thereby increasing their CRR revenues against their congestion costs.