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July 16, 2013

The Honorable Troy Fraser
Texas Senate
P.O. Box 12068
Austin, TX 78711

Dear Chairman Fraser,

Thank you for your letter to the ERCOT Board of Directors. We appreciate your interest and input on the issues that face the ERCOT market.

Today at our meeting, I recommended and the Board agreed that the Board defer consideration of a change to the planning reserve margin.

Some parties have raised questions as to whether the methodology used in the Loss of Load study correctly captures current grid conditions. I have asked ERCOT staff to take another look at the underlying assumptions, to assure us that all stakeholders can be confident in any change in the planning reserve margin.

It is also possible that a change in the planning reserve margin at this time could introduce confusion to the ongoing policy discussions regarding resource adequacy under way at the Public Utility Commission.

Once we have more facts, clarification on methodology, and discussion, the Board will revisit this matter.

Thank you again for your letter. Please do not hesitate to contact me or Trip should you have any questions about the action taken by the Board today, or about any other matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Craven", written in a cursive style.

Craven Crowell
Chairman
ERCOT Board of Directors