Comments of Louisiana Generating LLC and NRG Energy, Inc.
On the SPP/Entergy CBA Study Proposed Work Plan

Louisiana Generating LLC (“LaGen”), NRG Bayou Cove Peaking Power LLC (“Bayou Cove”), Big Cajun I Peaking Power LLC (“Big Cajun I”), NRG Sterlington Power, LLC (“Sterlington”) and NRG Power Marketing LLC (“NRG PML”) (collectively “NRG”) submit these comments and questions on the proposed work plan for the Cost Benefit Analysis (“CBA”) of Entergy joining the Southwest Power Pool RTO (“SPP RTO”). These comments are filed in response to the request.

I. About LaGen and NRG

A. Generation: NRG owns approximately 2400 MW of generation facilities in Louisiana and each is an Exempt Wholesale Generator. Each NRG generation facility in Louisiana is interconnected with, and dependent upon, Entergy for the transmission of the electricity they generate. Power Marketing is a power marketer that also engages in wholesale transactions in Entergy’s service territory. Each of the NRG companies is a wholly-owned subsidiary of NRG Energy, Inc.

B. Network Customers: LaGen generates and sells electricity at wholesale to, among others, ten rural electric cooperatives in Louisiana including:

- Southwest Louisiana Electric Membership Corporation (“SLEMCO”)
- Pointe Coupee Electric Membership Corporation (“Pointe Coupee”)
- Concordia Electric Cooperative, Inc. (“Concordia”)
- Northeast Louisiana Power Cooperative, Inc. (“Northeast”)
- Beauregard Electric Cooperative, Inc. (“BECI”)
- Claiborne Electric Cooperative, Inc. (“Claiborne”)
- Washington-St. Tammany Electric Corp. Inc. (“WST”)
- Dixie Electric Membership Corporation (“DEMCO”)
- Jefferson Davis Electric Cooperative, Inc. (“Jeff Davis”)
- South Louisiana Electric Cooperative Association (“SLECA”)
Through its long term contracts with the Louisiana rural electric cooperatives, LaGen serves approximately 2100 MW in peak cooperative load, and serves close to one million Louisiana residents in parishes throughout the state. LaGen serves as the agent for transmission for these ten Louisiana rural electric cooperatives.

C. Wholesale customers: NRG PML also engages in wholesale transactions outside of Louisiana and has contracts to serve municipalities and load serving entities in Texas, Arkansas and Mississippi. In addition, NRG PML regular transacts with Entergy and other regulated utilities in Louisiana in short term power sells.

II. LaGen Transmission

LaGen annually incurs an average of $60 (sixty) million in network transmission costs alone. **NRG is the largest non-affiliated user of the Entergy Transmission System.** As the largest non-affiliated user of the Entergy Transmission System, NRG has vast and comprehensive experience with the Entergy Transmission System unmatched by other Entergy stakeholders.

LaGen is the registered Balancing Authority responsible for serving the native load needs of its cooperative customers. The LaGen Balancing Authority Area is located entirely within the Entergy Balancing Authority Area. Due to the broad territory of the Louisiana rural electric cooperatives, the native load served by LaGen is intermingled with other loads served by Entergy. In addition, LaGen owns limited and discrete transmission assets in the form of substations across the state of Louisiana. These individual points of delivery are directly interconnected with Entergy, or in some cases, CLECO. Currently, LaGen owns 45 substations and over one hundred meter points to serve its customer loads.
LaGen, as agent for ten Louisiana rural electric cooperatives, utilizes network service, as well as firm and non-firm Point-to-Point service through its own merchant activities. In each case, the NRG companies utilize Entergy’s transmission network and take service under the Entergy Open Access Transmission Tariff and through grandfathered transmission service.

III. NRG’s General Comments

As the largest non-affiliated user of the Entergy Transmission System, NRG has grave concerns regarding the recent push to move Entergy in the SPP RTO. NRG understands the frustration expressed by certain stakeholders and regulators at the historic Charleston conference and has expressed its own frustrations in working with Entergy and the ICT. While the broad array of participants taking part in the Charleston conference was certainly historic, these same issues have been under extensive discussion by the stakeholders over the past two years. In the Fall of 2007, many of the most active stakeholders requested, and were denied, a technical conference to discuss, among other things, the serious problems with the ICT.

What was missing from the panel discussions at the Charleston conference was the equal expression of frustration with the Southwest Power Pool, acting as the ICT, which has been the subject of many working group meetings and reflected in the two stakeholder satisfaction surveys conducted by the ICT. To be candid, the actions of the Southwest Power Pool in its execution of its ICT duties have been confused, frustrating, and have ultimately served to create additional barriers to progress. Southwest Power Pool’s public declaration that it wants to bring Entergy in the RTO, creates significant concerns for NRG as to whether the ICT remains an independent actor dedicated to the
improved administration of the Entergy transmission system. At a minimum, the public push by the SPP to expand into the Entergy region creates an appearance of bias, and leads stakeholders to question whether the ICT’s actions are truly in the best interests of the Entergy system.

Since the Charleston meeting, there have been positive developments including Entergy’s revised interpretation of “Note B” which led to the elimination of major differences between the Entergy Construction Plan and the ICT Base Plan. Entergy also provided information regarding its operational guides, creating an additional level of transparency to its system. While there are additional hurdles to overcome to improve Entergy’s transmission system, the changes to date have provided necessary and stakeholder requested improvements with little or no cost to the ratepayers.

IV. NRG’s Specific Comments

With this factual background, NRG has reason to be concerned with the Cost Benefit Analysis as proposed. In response to the email request for comments, edits and questions received from Jay Caspary on September 15, 2009, NRG responds as follows:

1. Independence: NRG objects to any entity with a vested interest in the outcome performing the CBA analysis or having undue influence in the process. The CBA must thus be independent of both Southwest Power Pool and Entergy, as well as consultants associated with either company. The draft scope does not provide sufficient detail as to what level of autonomous authority the Third Party Consultant will have to determine inputs in the CBA. In addition, the draft scope does not identify who will have ultimate decision-making authority should a dispute arise as to the development and assumptions of the CBA.
2. **Base Case General Assumptions:** NRG believes that the current scope of work unfairly tilts the playing field in favor of Entergy joining the SPP RTO. The base-case assumptions outlined in the scope of work attempt to compare the SPP scheduled to exist in 2012 with the Entergy system as it exists today. Such a base-case assumption is flawed for several reasons. First, it assumes that SPP RTO has a perfect scorecard on meeting every deadline, goal and target over the next few years and delivers the benefits of an improved RTO structure to SPP ratepayers. This assumption is not realistic or supported by past experience in SPP or other markets attempting to develop new market mechanisms. Second, the proposed scope of work ignores improvements recently announced by Entergy, including its revised interpretation of Note B and Entergy’s agreement to synchronize the Base Plan and its Construction Plan. Both of these proposed improvements to the Entergy system are “game changing,” and must be incorporated into any reasonable CBA. Likewise, the scope of work does not recognize or address any alternatives or enhancements to the ICT function. Moreover, there is no consideration given to other alternatives other than Entergy joining the SPP RTO. The current comparison does not appear to be balanced and equitable and raises concerns of a biased approached.

1. **Time Period:** Please provide more information as to why the dates of 1/1/2013 through 12/31/2022 were selected? Was that date selected to coordinate with the SPP RTO’s projected start date of its Day 2 market? What assumption is made for transition timing and what is the basis for that assumption? Will the CBA consider what happens if Day 2 markets are delayed by several years? How will
projected improvements to the Entergy system be incorporated into the study?

2. **Generation Information:** What data will be used for operational assumptions regarding generation resources? Where will the data come from, and will it be publicly available? Assumptions regarding items such as heat rates, ramp rates and delivered fuel prices will have an enormous impact on the study results. It is also unclear how this operational data will be assumed for the extended study period.

3. **New & Retired Generation:** How (and from whom) will SPP derive assumed “new generation projects that will be in-service by 2022,” as well as identifying “retired” generation by 2022? Will these assumptions include merchant generation or utility only resources? Will this data be made public?

4. **Production Cost Simulation:** Will an hourly or bi-hourly production cost simulation be conducted for each of the study years? How will the CBA account for planned improvements to the Entergy system and enhanced SPP market operations?

5. **Market Implementation:** It is NRG’s understanding that the SPP RTO’s goal is to have a full LMP market, i.e. energy and ancillary services market and a single control area operational by 2013. As stated above in subsection 2, it is unrealistic and imprudent to assume that SPP will make every milestone to be operational by 2013, based on past experiences with SPP and other markets. Sensitivities should be run regarding the timelines of SPP transitioning to a full LMP market.

6. **Cost Sharing for Market Design:** The scope of work does not address any assumptions regarding allocation to Entergy and other network customers for the
cost of SPP RTO implementing the full LMP market.

7. **SPP CBA:** The scope of work evaluates the cost and benefits for the Entergy system only. There should be a similar evaluation done for the SPP RTO so that an estimate of the cost and benefits for the overall system is obtained. It would also provide additional data for the analysis to compare the costs and benefits to the overall system, i.e. the SPP RTO as compared to just Entergy’s.

8. **Entergy Improvement Assumptions:** The impact of changing the following Entergy planning policies should be included in the CBA evaluation:

   a. Elimination of the use of operating guides, redispacth, and load shedding for reliability assessment but not for transmission service.
   b. Elimination of base case overloads in short-term and long-term models.
   c. Elimination of 3 year versus 10 year upgrades included in reliability models but not in transmission service models.

   It should not be forgotten when considering the CBA that many of the deficiencies and issues (like those noted above), related to the Entergy system can be corrected without moving to SPP.

9. **Reliability:** The reliability evaluation of the Entergy system should include the impact of Entergy’s current interpretation of Note B. The reliability evaluation of the Entergy system should also consider the impact of eliminating the use by Entergy of operating guides redispacth, and load shedding for reliability assessment but not for transmission service.

10. **SPP RTO Upgrades:** What assumptions will be used for the SPP RTO construction plan? NRG understands that the SPP RTO currently uses a four year construction plan but would like to move to a 10 year construction plan.

11. **Balancing Authority:** Any proposed changes in export/import capability for balancing authorities embedded within Entergy, including Entergy and the first-
tier control areas, should be clearly identified, evaluated and included in the scope of work.

12. **Reliability Assessment:** Will the reliability assessment of the Entergy system be performed for each year of the study? If so, will the Entergy upgrades included in the models be those in the Entergy 3-year construction plan? What consideration will be given to Entergy’s ten year reliability assessment?

13. **Market Monitor:** As an alternative, consideration should be given to the benefits of an external market power monitor in either the SPP RTO scenario, any amended and enhanced ICT arrangement scenario, or other alternative scenario(s).

14. **RMR Units:** Please clarify how RMR units will be considered in the CBA. Will the elimination or partial elimination of RMR units in Entergy and associated load pockets be considered in the CBA? Will SPP RMR units be included in the study and if so, how will they be considered?

15. **Transparency:** The study should include a comparison of transparency issues between the SPP RTO system and the Entergy system, for example, a comparison of the transparency in the SPP RTO AFC process as compared to Entergy’s AFC process? It is NRG’s opinion that the transparency of Entergy’s AFC process is far superior to that of SPP; and should be noted and included in the final report.

16. **Reserve Margin:** The CBA should include the impact on reserve margin requirements for Entergy and embedded control areas.

17. **Seams Agreement:** What assumptions will be made regarding a seams agreement between Entergy and the SPP RTO? The CBA should include an
assumption that Entergy and the SPP RTO.

18. **Access to Data:** Please describe what data, assumptions, etc. will be made available for review by stakeholders or retained consultants. What study results will be made available? Transmission models? Modeled LMP’s? Will a stakeholder who wishes to replicate a production cost simulation run performed as part of the CBA be provided access to the necessary data? Assuming the stakeholder uses the same simulation program; will the necessary database and parameters be provided? Who will determine what is confidential or market sensitive? Who will determine who is an appropriate party to review confidential information?

19. **Costs:** As any integration of Entergy into the SPP RTO will have major impact upon embedded load serving entities, will the study address the estimated costs to non-Entergy customers, such as the Louisiana rural electric cooperatives, including the cost impact to wholesale transmission customers?

20. **Cost Allocation:** What assumptions will be used for the cost allocation of upgrades to the SPP RTO system? It is NRG’s understanding that the SPP RTO Cost Allocation Working Group has not yet reached resolution on several fundament issues.

21. **Economic upgrades:** What “economic upgrades” will be used to estimate savings through reduction in adjusted production costs to the Entergy System due to economic upgrades? Who will determine what economic upgrades are included or rejected? Who will determine the scope of work and estimated cost for any economic upgrades? Does the SPP RTO have the expertise and data to determine
the scope of work and estimated costs?

22. **Wind:** What wind penetration estimates will be used and who will provide the estimates?

23. **Nuclear:** What consideration will be given to new nuclear development in either the Entergy or SPP RTO systems?

24. **Reliability Upgrades:** Who will determine the scope of work and estimated cost for any transmission reliability upgrades deemed necessary for Entergy to meet the SPP criteria as a condition of putting the Entergy transmission facilities under the SPP OATT?

25. **Due Process:** As the ERSC is formulated as an advisory body only, what procedural due process rights are available to stakeholders regarding the scope of work for the CBA?

[Signature]

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