



MEMO

Date: November 9, 2004
To: Board of Directors
From: Read Comstock, TAC Chair
Subject: Appeal of TAC Rejection of PRR 546

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: November 16, 2004

Agenda Item No.: 8b

Issue:

Tex-La Electric Cooperative of Texas, Inc. (“Tex-La”) appeals TAC’s rejection of PRR 546 (Attachment A).

Background/History:

Protocols Section 7.5.6 provides that municipal utilities and electric cooperatives may be assigned Pre-assigned Transmission Rights (PCRs) for use in hedging for zonal congestion (in place of Transmission Congestion Rights (TCRs) that would be required to hedge for zonal congestion costs). To obtain PCRs, the applicant must demonstrate a long-term contract for capacity and energy across a Commercially Significant Constraint (CSC) in existence prior to September 1, 2004. The cost of PCRs is generally much less than the cost of TCRs.

PRR 546, proposed by Tex-La and Rayburn Country Electric Cooperative, would allow PCR treatment of contracts with the Southwestern Power Administration (SWPA) for the output of Denison Dam regardless of whether the contracts were entered into prior to September 1, 1999.

At its October meeting, PRS recommended approval of PRR 546 with seven abstentions from the independent power marketers, investor owned utilities and consumer segments. No participant present at the meeting voted against approval of the PRR. All segments were present for the vote. At its November meeting, TAC rejected PRR 546 – 13 abstentions (independent REP, independent power marketer, and IOU segments), 2 opposing votes (IOU and consumer segments), and 13 votes in favor (consumers, cooperatives, IOU and municipal segments).

Key Factors Influencing Issue:

TAC considered PUCT Staff’s recommendation for rejection of this PRR; the underlying intent of PCRs to preserve the existing power generation arrangements if Non-Opt-In-



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Entities; whether approving an exception for TX-La and Rayburn would set a precedent for other municipally-owned utilities and electric cooperatives with expiring contracts; and the intent of Senate Bill 7.

Alternatives:

The Board may vote to approve, reject or modify PRR 546.

Conclusion/Recommendation:

TAC recommended rejection of this PRR. ERCOT Staff takes no position regarding this PRR.