

Alternative Fuel Resolution (*approved by TAC, August 4, 2005*)

In April of 2004, the TAC passed a motion assigning the ROS to examine the requirement for reliable fuel sources in ERCOT. That motion followed TAC's affirmation of PRS' rejection of PRR 486, Fuel Oil Inventory Service, which would have created a new ancillary service for maintaining fuel oil inventories. Beginning in October of 2004, the ROS conducted a survey of all resource owners in ERCOT to identify units capable of dual fuel operation, installed dual fuel infrastructure, typical secondary fuel storage levels, and to assess the preparedness of generation units to operate on secondary fuel should primary fuel become unavailable. The ROS reported its initial results and recommendations to the TAC in February of 2005. At that meeting, the TAC assigned WMS to examine whether a market service for maintaining alternative fuel capabilities should be adopted. This resolution of the WMS is in response to that assignment of the TAC.

Whereas, the WMS has received data from the ROS on the extent of dual fuel capable generating resources in ERCOT; and

Whereas, ERCOT has reported to TAC that at least 5,481 MW of dual fuel capable generating resources have been recently retired or mothballed; and

Whereas, the ERCOT market is critically dependent upon natural gas fired generating resources; and

Whereas, the ROS analysis indicates that fuel oil storage and capability would prove inadequate to prevent firm load shedding in the event of a sufficiently widespread natural gas curtailment; and

Whereas, there are many factors that impact fuel reliability including contract terms, supply and transportation availability, credit, on site storage for gas or coal, resource maintenance outages and other causes that are the subject of each entity's internal business and competitive decisions; and

Whereas, in response to ROS's recommendation, ERCOT has revised its procedures to provide advanced market notice in circumstances that may be conducive to a severe weather event with possible fuel curtailments; and

Whereas, the TAC continues to consider other market and non-market measures for assuring fuel reliability in ERCOT, *e.g.*, demand-side services for emergency curtailments, annual determination of fuel availability status through an assessment of the coming winter season, and gas curtailment priority;

Whereas, the WMS has resolved that it is inadvisable to establish an ancillary service related to alternative fuel sources at this time.

Therefore, the TAC resolves that it is inadvisable to establish an ancillary service related to alternative fuel sources at this time.