



Date: July 14, 2009
To: Board of Directors
From: Kent Saathoff, Vice President of System Planning & Grid Operations
Subject: Reliability Must Run (RMR) Exit Strategy for Permian Basin Units 5 and 6

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: July 21, 2009

Agenda Item No.: 13

Issue:

Whether to authorize and approve the RMR Exit Strategy for Permian Basin Units 5 and 6 as described in Attachment A-1.

Background/History:

In February 2009, Luminant Generation Company, LLC (Luminant) submitted a Notification of Suspension of Operations for fourteen of its generation units located in various Texas counties. ERCOT's analysis determined that all but two units, Permian Basin Units 5 and 6, could suspend operations as requested by Luminant. ERCOT currently has an RMR Agreement for Permian Basin Unit 5. Luminant has indicated that it will suspend operations on Permian Basin Unit 6 in September 2009; therefore, the parties are working to finalize an RMR Agreement for that unit prior to that time.

Pursuant to Protocol Section 6.5.9.2, Exit Strategy from an RMR Agreement, ERCOT is required to present to the Board a list of feasible alternatives that may, at a future time, be more cost-effective than the continued renewal of the existing RMR Agreement. Attachment A-1 describes ERCOT's proposed exit strategy from existing or pending RMR Agreements. Pursuant to Protocol Section 6.5.9.5, RMR or Must Run Alternative (MRA) Contract Termination, the affected Transmission and/or Distribution Service Provider(s) [TDSP(s)] and the Board must approve the strategy if the RMR Agreements have not been terminated. ERCOT anticipates approval by the affected TDSP (Oncor Electric Delivery Company) prior to the July 21, 2009 Board meeting.

The following upgrades or additions to the Transmission Facilities are being proposed to allow both Permian Basin units to exit from RMR Service. The exit strategy consists of two approved or planned projects and one new project.

To exit Permian Basin Unit 5:

- Upgrade Ackerly Vealmoor to Ackerly 69 kV line and Ackerly to Lyntegar Coop 69 kV line using double circuit construction with one circuit in place. The preliminary estimated cost of the entire line from Ackerly Vealmoor to Lamesa is \$11 million with an in-service date by the end of 2011.



- Third autotransformer installation at Odessa EHV switch estimated in-service date of December 2010. This project is already in the Transmission Project Information and Tracking (TPIT) database with an in-service date of December 2010.

To exit Permian Basin Unit 6:

- Upgrade the remainder of the Ackerly Vealmoor – Lamesa (Ackerly Lyntegar Coop to Sparenburg 69 kV line and Sparenburg to Lamesa 69 kV line) using double circuit construction with one circuit in place. The preliminary estimated cost of the entire line from Ackerly Vealmoor to Lamesa is \$11 million with an in-service date by the end of 2011.
- Completion of the Oncor Stanton East – Big Spring Switch 138 kV line, which has already been approved through RPG Review, with an in-service date of December 2010.

Key Factors Influencing Issue:

- RMR costs
- Maintaining reliability, meeting planning criteria
- Transmission additions
- ERCOT independent analysis

Alternatives:

- Approve the rebuild of the Ackerly Vealmoor to Lamesa 69 kV line using double circuit construction with the 69 kV circuit in place to allow exit of both Permian Basin Unit 5 and pending Permian Basin Unit 6 RMR Agreements;
- Maintain RMR Service from Permian Basin Units 5 and 6; or
- Remand to ERCOT Staff with instructions.

Conclusion/Recommendation:

ERCOT Staff respectfully recommends that the Board authorize and approve RMR Exit Strategy for Permian Basin Units 5 and 6 and endorse the construction of the Ackerly Vealmoor to Lamesa 69 kV line using double circuit construction with the 69 kV circuit in place as described in Attachment A-1.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, Electric Reliability Council of Texas, Inc. (ERCOT) staff has recommended the ERCOT Board of Directors (Board) authorize and approve RMR Exit Strategy for Permian Basin Units 5 and 6 and endorse the construction of the Ackerly Vealmoor to Lamesa 69 kV line using double circuit construction with the 69 kV circuit in place as described in Attachment A-1, due in part to reliability reasons; and

WHEREAS, after due consideration of the alternatives, the ERCOT Board deems it desirable and in the best interest of ERCOT to accept ERCOT staff's recommendation;

THEREFORE, BE IT RESOLVED, that ERCOT is hereby authorized and approved to authorize and approve RMR Exit Strategy for Permian Basin Units 5 and 6 and endorse the construction of the Ackerly Vealmoor to Lamesa 69 kV line using double circuit construction with the 69 kV circuit in place as described in Attachment A-1.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its July 21, 2009 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 2009.

Michael G. Grable
Corporate Secretary