



MEMORANDUM

To: Board of Directors
From: Kent Saathoff, Vice President of System Planning & Grid Operations
Date: March 16, 2010
Re: March 23, 2010 Board Agenda Item 8 – City of Garland RMR Agreement for Spencer Unit 5

On February 26, 2010, Electric Reliability Council of Texas, Inc. (ERCOT) and City of Garland entered into a Standard Form Reliability Must-Run (RMR) Agreement for Spencer Unit 5. The term of the RMR Agreement is from March 1 through November 30, 2010.

Pursuant to paragraph (9) of Section 6.5.9.1, *Long-term Outage Notification and Initiation and Approval of RMR Agreement*, of the ERCOT Protocols, “ERCOT shall provide Notice to the Board, at the next Board meeting after ERCOT has signed the RMR Agreement, that [certain] steps have been completed with respect to any RMR Agreement signed by ERCOT.” This Memorandum fulfills this Protocol requirement by providing the following information required by paragraph (9):

- (a) The Generation Entity provided a complete and timely Notification including a sworn attestation supporting its claim of pending plant closure.

ERCOT Response: Yes. On December 1, 2009, ERCOT received a *Notification of Suspension of Operations of a Generation Resource* (Notification) from City of Garland. The Notification indicated that “as of February 22, 2010, [Spencer Unit 5] will be unavailable for Dispatch by ERCOT because Generation Entity will suspend operation (i.e., mothball) of the Generation Resource indefinitely.” This Notification was signed by the Managing Director of City of Garland.

- (b) ERCOT received all the data requested from the applicant necessary to evaluate the need for and provisions of the RMR Agreement. Such information was posted on the MIS by ERCOT, as it became available to ERCOT and no later than prior to execution of the RMR Agreement.

ERCOT Response: Yes. All analysis regarding the need for the RMR Unit was accomplished using standard publicly available base cases. All analysis finalized to date has been posted on the MIS. Data requested regarding RMR Unit availability, limitations and budgeted cost was provided by City of Garland and included in provisions of the RMR Agreement.

- (c) The recommended RMR Agreement is consistent with the ERCOT Protocols.

ERCOT Response: Yes. The RMR Agreement is a standard form approved by the ERCOT Board of Directors (Board). There are certain terms that are subject to modification, such as Start

Date, Description of RMR Unit and Unit Information, Delivery Point, Revenue Meter Location, Operational and Environmental Limitations, Pricing and Notice. These terms are negotiated among ERCOT and Participant.

(d) ERCOT evaluated:

- I. The reasonable alternatives to a specific RMR Agreement that exist and compared the alternatives against the feasibility, cost and reliability impacts of the proposed RMR Agreement.

ERCOT Response: Alternatives studied were suggested by Oncor Electric Delivery Company and ERCOT Staff and consisted of several remedial action plans which will be implemented after the completion of a key transmission project.

- II. The timeframe in which ERCOT expects each unit to be needed for reliability; and

ERCOT Response: The timeframe depends on when identified system upgrades have been completed, specifically the RD Wells to Hickory 69kV line. This project is currently scheduled to be completed by June 2010.

- III. The specific type/scope of reliability concerns identified for each potential RMR Unit.

ERCOT Response: During real-time operations ERCOT has used the Spencer units to alleviate congestion on the line between North Denton and Kingsrow and at the Denton transformer. After the RD Wells to Hickory 69kV project is completed ERCOT believes that the use of temporary Remedial Action Plans (RAPs) will be able to address the reliability concerns identified. Since the RAPs are only temporary solutions, ERCOT has identified the following (or similar) projects would subsequently be needed to retire the RAPs:

- The upgrade of the Lewisville Switch to Highland (TNMP) 138 kV line to 290 MVA or above.
- The addition of a new 345/138kV autotransformer at Lewisville switching substation (07TPIT0042).
- Additional capacitor banks in the Brazos Navo and Panther Creek area to support the post-contingency voltage at Frisco and Panther Creek at 0.90 or above.
- The upgrade of the Collin to Frisco 138kV line (08TPIT0068) to 326 MVA or above.
- Upgrade of the West Denton to Jim Christal to North Denton 138 kV line to 250 MVA or above.

Finally, Section 6.5.9.2, *Exit Strategy from an RMR Agreement*, of the ERCOT Protocols requires that “[n]o later than ninety (90) days following execution of an RMR Agreement, ERCOT shall report to the Board and post on the MIS a list of feasible alternatives that may, at a future time, be more cost-effective than the continued renewal of the existing RMR Agreement.”

It is anticipated that completion of the RD Wells to Hickory 69 KV project, currently expected by June 2010, will enable use of RAPs to address the reliability concerns identified. This would allow termination of the RMR Agreement with 90 days notice to City of Garland. ERCOT will provide an update at a future Board meeting to discuss the status of the exit strategy for the Spencer Unit 5 RMR Agreement and any related RAPs.

I look forward to discussing this issue with you. Please let me know if you have any questions in the meantime.