Date: June 8, 2010
To: Board of Directors
From: Kent Saathoff, Vice President of System Planning and Grid Operations
Subject: Reliability Must Run (RMR) Exit Strategy for City of Garland Spencer Unit 5

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: June 15, 2010
Agenda Item No.: 8a

Issue:
Approval of the RMR Exit Strategy for Spencer Unit 5 as described in Attachment A-1. Upon approval, ERCOT Staff will provide ninety (90) days notice of RMR contract termination to the unit owner.

Background/History:
In December 2009, the City of Garland (Garland) submitted a Notification of Suspension of Operations for Spencer Steam Units 4 and 5 located in Denton County, Texas. ERCOT's analysis determined that one (1) of the two (2) units, Spencer 4, could suspend operations as requested by Garland. ERCOT currently has an RMR Agreement for Spencer Unit 5.

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 the RMR Agreement for Spencer 5. Pursuant to Protocol Section 6.5.9.5, RMR or MRA Contract Termination, the affected Transmission Distribution Service Providers (TDSPs) and the Board must approve the exit strategy if the RMR Agreement has not been terminated. The affected TDSPs (Oncor Electric Delivery Company, TMPA, TNMP, and Brazos Electric Cooperative, Denton and Garland) have all endorsed this exit strategy.

ERCOT Staff analysis of the Spencer 5 RMR exit strategy identified the need for several transmission line upgrades as well as transformer and capacitor bank additions. To allow exit of the RMR Agreement prior to completion of the identified projects, Remedial Action Plans (RAPs) or Mitigation Plans (MPs) were developed and are identified in Attachment A-1.

The one (1) transmission line upgrade project that was necessary to exit the RMR contract using the listed RAPs and MPs has been completed:

- Completion of the Denton RD Wells to Hickory 69kV line; this is a tier 4 RPG project with an estimated in-service date of June 2010. (06TPIT0198)

The following additional projects allow permanent exit of the RMR described in Attachment A-

1:

- The completion of the Lewisville Switch to Highland (TNMP) 138 kV line rebuild to 290MVA or above (07TPIT0018 scheduled for May 2015 completion but Oncor may be able to accelerate).
- The addition of a new 345/138 kV autotransformer at Lewisville switching substation (07TPIT0042 scheduled for June 2012 completion).
- The rebuild of the Collin to Frisco 138 kV line to 326 MVA or above (08TPIT0068 scheduled for completion in May 2013 but Oncor may be able to accelerate).
- The upgrade of the West Denton to Jim Christal to North Denton 138 kV line to 250 MVA or above.
- Completion of new Mustang Substation and capacitor bank (10TPIT0083 scheduled for completion June 2013) or the addition of capacitor banks at Navo and Panther Creek to support the post-contingency voltage at Frisco and Panther Creek (No TPIT yet but BEC estimates peak 2011 completion).
- The rebuild of the 138 kV line from Arco to Krugerville (10TPIT0032 scheduled for May 2011 completion).

Key Factors Influencing Issue:

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

Alternatives:

- Approve the transmission projects identified above to adequately allow the exit of Spencer Unit 5;
- Maintain RMR Service from Spencer Unit 5; or
- Remand to ERCOT Staff with instructions.

Conclusion/Recommendation:

ERCOT Staff recommends that the Board approve the RMR Exit Strategy for Spencer Unit 5 and endorse the construction of the transmission projects described above and in Attachment A-1. Upon approval, ERCOT Staff will provide ninety (90) days notice of RMR contract termination to the unit owner.

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

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to approve the Reliability Must Run (RMR) Exit Strategy for Spencer Unit 5 and endorse the construction of transmission projects described in Attachment A-1.

THEREFORE, BE IT RESOLVED, that the ERCOT Board hereby authorizes and approves the RMR Exit Strategy for Spencer Unit 5 and endorses the construction of transmission projects described in Attachment A-1.

CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Interim Corporate Secretary of ERCOT, do hereby certify that, at its June 15, 2010 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 June, 2010.

_____
Bill Magness
Interim Corporate Secretary