

## **External Relations Update**

*July 20, 2010*

### **SUNSET**

Sunset Advisory Commission (the Legislative body) held a decision hearing on July 6, 2010 to determine which recommendations will be sent to the full Legislature in January. The recommendations are as follows:

#### **RECOMMENDATION ON 1.1**

Require the Public Utility Commission of Texas (the Commission) to exercise additional oversight authority of the Electric Reliability Council of Texas Inc. (ERCOT) by:

- annual review and approval of ERCOT's entire budget; and
- prior review and approval of all uses of debt financing.

And, require the establishment of performance measures to track ERCOT's operations. These performance measures should be:

- proposed by ERCOT;
- approved by the Commission;
- reviewed annually by the Commission as part of the budget review process; and
- reported annually by the Commission to the substantive committees of the Legislature that oversee electric utility regulation, Speaker of the House, and the Lieutenant Governor.

#### **RECOMMENDATION ON 1.2**

Establish that the System Administration Fee vary according to the revenues needed to fund the budget approved by the Commission.

And, require ERCOT to provide the Commission with quarterly reports detailing actual expenditures compared to budgeted amounts to ensure that budget projections are being met.

#### **RECOMMENDATION ON 1.3**

Create a Sunset clause providing for future Sunset reviews of ERCOT, concurrent with reviews of the Commission.

#### **RECOMMENDATION ON 2.1**

Retain hybrid Board makeup with total of 17 voting members; adds one (1) Unaffiliated Member with financial expertise selected by ERCOT Board; replaces the Commission Chair with one (1) Unaffiliated Member appointed by the Commission; and, replaces Public Counsel with one (1) unaffiliated member appointed by the Office of Public Utility Counsel (OPC).

## **NEW RECOMMENDATION**

Change the operations and structure of ERCOT by amending the statute to require that:

- the ERCOT Board of Directors formally initiates the development of new protocols or revisions to existing protocols;
- the ERCOT staff develop new or revised protocols for Board approval; and
- the Technical Advisory Committee and its existing responsibilities as outlined in the ERCOT Bylaws be sunsetted. The Board of Directors would be charged by statute with developing a representative advisory committee structure to support Board or staff initiatives. This structure would be reflected in ERCOT Bylaws and subject to the Commission approval.

## **NEW RECOMMENDATION**

Add to current revolving door restrictions for the Commission commissioners (PURA Sec. 12.155) a new restriction that prohibits the Commission commissioners from being employed by ERCOT for two years after leaving the Commission.

## **UPCOMING INTERIM LEGISLATIVE HEARINGS**

The Senate Business and Commerce Committee will hold two future hearings that will potentially include ERCOT testimony:

- Interim Charge 2 on energy demand reduction
- Interim Charge 3 on wind energy development and integration

## **POSSIBLE MEDIA RELEASES / ISSUES**

### **July**

- ERCOT's 40<sup>th</sup> Anniversary
- ERCOT 2009 Annual Report
- Nodal 48-hour load-frequency control tests (July 20-22)
- Texas Regional Entity's legal separation from ERCOT (July 1)

### **August**

- Summer peak demand records
- IMM State of the Market Report

### **September**

- Nodal 168-hour tests begin
- Voltage ride-through study update
- Loss-of-load probability study update