



Date: June 14, 2011
To: Board of Directors
From: Dan Woodfin, Director System Planning
Subject: ERCOT Security Screening Study Fee

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: June 21, 2011

Agenda Item No.: 10a

Issue:

ERCOT proposes to restructure the generation interconnection Security Screening Study Fee into two levels, for projects with planned capacity equal to or less than 150 megawatts (MW) and for projects greater than 150 MW. The ERCOT Security Screening Study Fee for the first level would be \$5,000 and for the second level would be \$7,000.

Background/History:

ERCOT is required to perform a security screening study for new Generation Resources requesting interconnection to the ERCOT transmission system pursuant to Public Utility Commission of Texas (PUCT) Substantive Rule 25.198(c). ERCOT charges a fee for performing this study. The current fee, in place since 2004, varies depending on the planned capacity of the new Resource as follows:

\$1,000 (10MW to 74MW)
\$2,000 (75MW to 149 MW)
\$3,000 (150MW to 249MW)
\$4,000 (250MW to 499MW)
\$5,000 (500MW and above)

In previous discussions with the Finance and Audit (F&A) Committee, ERCOT has expressed concern that this level of fees does not recover ERCOT's cost of performing these studies. However, this fee could not previously be changed without filing a full Fee Case. In addition, the current size-based levels of costs included in the Fee Schedule do not reasonably reflect the differences in effort required for each size of project.

In its recent rulemaking in Project 38338, the PUCT revised Section 25.363 of the PUCT Substantive Rules to allow ERCOT to charge certain User Fees without filing a full Fee Case. This Section now states that:

(f) User Fees. ERCOT may charge reasonable user fees for services provided by ERCOT to any market participant or other entity. User fees do not include the system administration fee and the ERCOT nodal implementation surcharge. A new or revised user fee may be approved by the ERCOT governing board, without the filing of an application under §22.252 of this title (relating to Approval of ERCOT Fees and Rates).

ERCOT Staff has estimated that ERCOT typically incurs approximately \$4,020 per screening study for small projects less than 150 MW and approximately \$6,123 per screening study for



larger projects greater than 150 MW. These estimates have been rounded up to produce the proposed Screening Study Fee amounts.

In response to questions at the April 18, 2011 F&A Committee meeting, ERCOT has contacted several other Independent System Operators (ISOs) to determine their costs to perform similar studies. Three of these ISOs do not perform individual screening studies, but instead perform a “batch” study on a periodic basis in which they include all of the interconnection requests that have been received since the last study. The cost of a batch study is allocated out to the interconnection requests that are included. While this batch study process may not be appropriate for ERCOT, due to the unique interconnection rules, the allocated cost to a particular interconnection requestor in these other ISOs’ studies are similar to the proposed Screening Study Fee, as shown in the below:

- ISO A Avg. \$5,000; Range \$1,000-50,000; Allocation of Batch Studies
- ISO B Range \$8,000-10,000; Allocation of Batch Studies
- ISO C Avg. \$5000; Allocation of Batch Studies
- ISO D Outsourced to consultant paid by gen. (Canada)

Key Factors Influencing Issue:

- PUCT Substantive Rule 25.363(f) allows the ERCOT Board to approve changes to User Fees.
- The current ERCOT Security Screening Study Fee does not cover ERCOT’s estimated costs.

Alternatives:

1. Approve revised ERCOT Security Screening Study Fee as proposed by ERCOT staff;
2. Approve different ERCOT Security Screening Study Fee;
3. Retain current ERCOT Security Screening Study Fee; or
4. Retain current ERCOT Security Screening Study Fee for now, but remand to ERCOT Staff with instructions.

Conclusion/Recommendation:

ERCOT Staff respectfully recommends a restructure of the ERCOT Security Screening Study Fee into two levels, that is, \$5,000 for projects with planned capacity equal to or less than 150 MW and \$7,000 for projects greater than 150 MW.



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

WHEREAS, in its recent rulemaking in Project 38338, the Public Utility Commission of Texas (PUCT) revised Section 25.363(f) of the PUCT Substantive Rules to allow the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT), to charge certain User Fees without filing a full Fee Case; and

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 accept ERCOT staff's recommendation to restructure the ERCOT Security Screening Study Fee into two levels, that is, \$5,000 for projects with planned capacity equal to or less than 150 megawatts (MW) and \$7,000 for projects greater than 150 MW;

THEREFORE, BE IT RESOLVED, that ERCOT is hereby authorized and approved to restructure the ERCOT Security Screening Study Fee into two levels, that is, \$5,000 for projects with planned capacity equal to or less than 150 MW and \$7,000 for projects greater than 150 MW.

CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Corporate Secretary of ERCOT, do hereby certify that, at its June 21, 2011 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of June, 2011.

Bill Magness
Corporate Secretary