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The Texas Senate Committee on Natural Resources

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Senator Kel Seliger
Senator Carlos Uresti

July 15, 2013

Board Members
Electric Reliability Council of Texas
7620 Metro Center Drive
Austin, Texas 78744

Dear Members of the Board:

I am writing you to express my serious concern about the Technical Advisory Committee's (TAC) recommendation to increase the ERCOT target reserve margin from 13.75% to 16.1%.

This recommendation incorporates weather data from 2011, the hottest year on record in Texas. It allows a disproportionately hot year to weight the 15 year average, thereby increasing the demand probability and requiring a higher reserve margin. Both electric end users and I have expressed a desire to exclude extreme years when computing future reserve margins. Any extreme weather fluctuation should be discounted as it represents an anomaly in weather patterns.

The impact of your decision to accept or reject this recommendation will weigh heavily in the ongoing policy debate of ensuring our state's resource adequacy. An increase in the target reserve margin of this scale could not help but serve the interests of those advocating for a capacity market, a system which would subsidize existing generation.

With the makeup of the ERCOT Board heavily weighted in the electric industry's favor, any vote to drastically increase the reserve margin appears to be self-serving and could increase electric costs for all consumers.

I urge you to vote for a revised target reserve margin to account for the exceptional nature of 2011 weather. And, please consider what impact your decision on the reserve margin may have on the wider discussion amongst policy makers.

Your favorable consideration of my request is appreciated.

Sincerely,

A handwritten signature in black ink that reads "Troy".

Troy Fraser
Chairman
Senate Committee on Natural Resources



CC:

Donna Nelson, Chairman, Public Utility Commission of Texas
Kenneth Anderson, Commissioner, Public Utility Commission of Texas
News Desk, Associated Press
News Desk, Dallas Morning News
News Desk, Houston Chronicle
News Desk, San Antonio Express News
News Desk, Austin American Statesman