Issues with Tier 4 Economic Project and Potential Solutions

Sun Wook Kang
Transmission Planning, ERCOT

Planning Working Group (PLWG)
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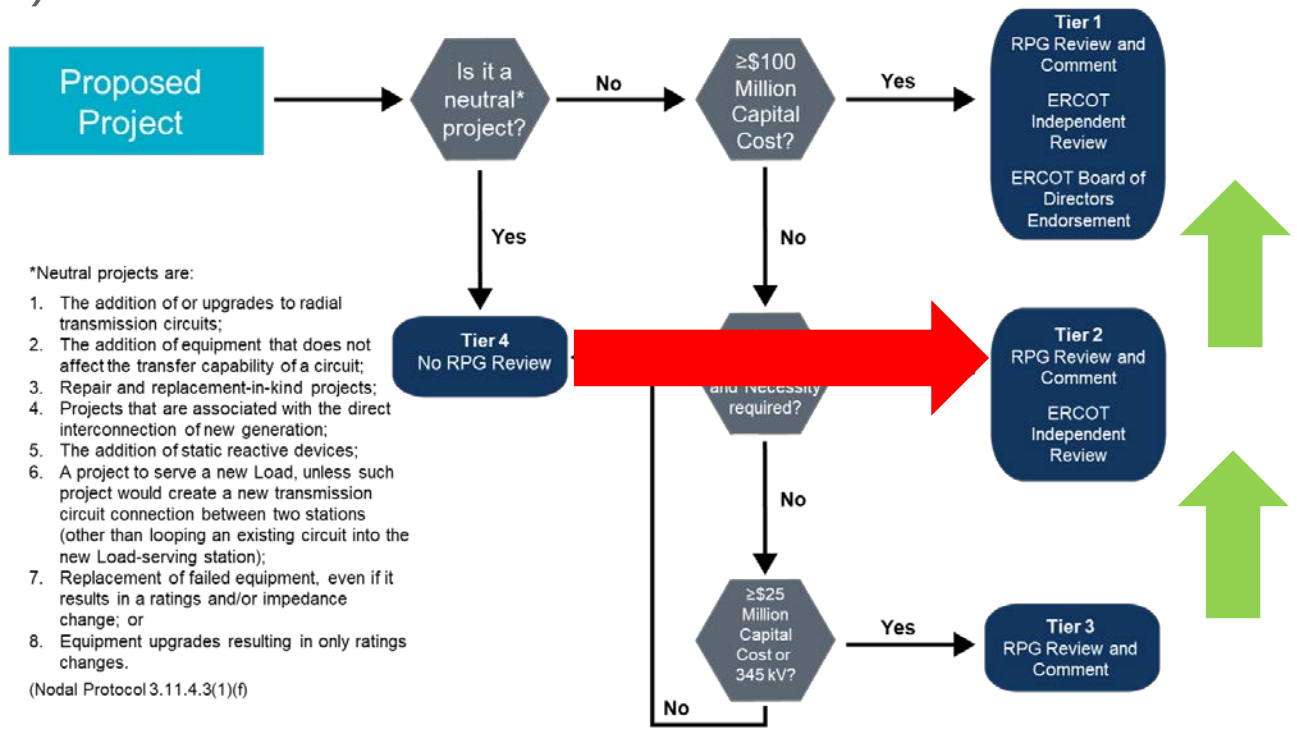
Introduction

- Protocol Section 3.11.4.3 (Categorization of Proposed Transmission Projects)



- Protocol Section 3.11.4.3(2): "*ERCOT may use its reasonable judgment to increase the level of review of a proposed project (e.g., from Tier 3 to Tier 2) from ...*"

Issues with Current Process – Tier 4 Economic Project

- ERCOT market participants may submit Tier 4 economic transmission projects for RPG review, requesting reclassification of the Tier 4 project to Tier 2 for an independent review and endorsement
- ERCOT does not typically study the need for Tier 4 projects outside of the Regional Transmission Plan process
  - Significant time and resources are required to conduct an independent review. Such requests are expected to increase and exacerbate the time and resource issues
  - However, an annual RTP process may not capture potential economic projects in a timely manner due to the short notification time of new generation projects

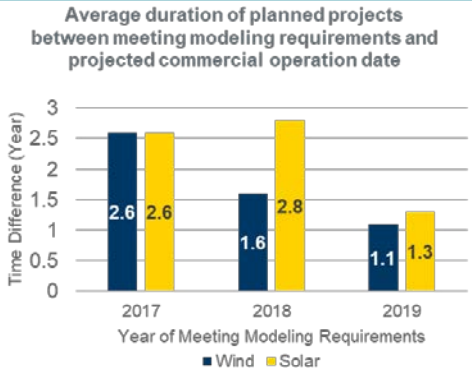
From the ERCOT 2019 Constraints and Needs Report

18-24 Months

Typical time for IBRs from initial planning to physical interconnection

0

Number of IBRs currently planned beyond 2022



Objectives

- Work with ERCOT Stakeholders to identify effective alternatives

1) Address time and resource issues associated with ERCOT Independent Review of small economic projects

2) Develop a more efficient process to evaluate and implement small capital projects that meet economic criteria, and improve net societal benefit

Concepts Considered

	Description	Pros	Cons	Comments
1	**Use Tier 3 RPG project comment process to vet need for Tier 4 economic projects**	• More timely • Less ERCOT staffing impacts	• Commenters may still request EIR	• Any stakeholder (e.g. TSP or non-TSP) could submit a project, but accurate data from TSP is necessary for the study (e.g. cost, parameters, topology, options) • Potentially no changes to Protocols/ guides
2	**TSPs perform, or hire a consultant to perform, economic analysis and otherwise follow normal Tier 3 or Tier 4 process (i.e. no ERCOT independent review)**	• More timely • No ERCOT staffing impacts	• TSPs are not used to performing economic studies, may be overwhelmed by requests, and may not see the need • Potential staffing impact to TSPs	• A consulting company would need to sign an NDA with the TSP if they used confidential ERCOT data • Potentially no changes to Protocols/ guides
3	**Require a minimum amount of savings for ERCOT endorsement of small economic projects**	• More timely • Would reduce number of projects ERCOT evaluates, hence less ERCOT staffing impact	• Some projects that have a net societal benefit may not be endorsed	• Any stakeholder (e.g. TSP or non-TSP could submit a project, but accurate data from TSP is necessary for the study (e.g. cost, parameters, topology, options) • Stakeholder discussion would be needed to determine appropriate threshold – likely Protocol/ guide change
4	**Perform economic analysis on a more frequent basis (e.g. semi-annual)**	• More timely	• Potential staffing impact to ERCOT	• Likely Protocol/ guide change
5	**Perform ERCOT Independent Review of Tier 4 economic projects if requested with a non-refundable study fee**	• More timely	• Staffing impact to ERCOT, but offset by fee • Cost to entities wanting to accelerate project review	• Process would be similar to Tier 2 projects, but fee would be charged to perform review of a small project outside of the RTP process • Protocol/ guide change

Next Step

- Please send comments to SunWook.Kang@ercot.com by July 31 (Friday)

- Status update at a future PLWG meeting