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| NPRR Number | [1274](https://www.ercot.com/mktrules/issues/NPRR1274) | NPRR Title | RPG Estimated Capital Cost Thresholds of Proposed Transmission Projects  |
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| **Date Posted** | May 14, 2024 |
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| Submitter’s Information |
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| Market Segment | Investor-Owned Utility |

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| Comments |

Oncor submits these comments to NPRR1274, RPG Estimated Capital Cost Thresholds of Proposed Transmission Projects. ERCOT-sponsored NPRR1274 proposes to update the Regional Planning Group (RPG) Tier thresholds by approximately 35% to 40% based on the U.S. Bureau of Labor Statistics Consumer Price Index inflation calculator (CPI).

The last RPG tier threshold adjustment was proposed by ERCOT in June 2017 in NPRR837. At that time, ERCOT recommended a 100% increase in the RPG Tier 1 threshold, an adjustment from $50M to $100M, and a 67% increase in the RPG Tier 3 threshold, from $15M to $25M. Oncor supports another similar adjustment to the RPG tier thresholds given extraordinary inflationary trends in recent years, and recommends that a doubling of these two thresholds would more appropriately reflect the increases in transmission project costs that have occurred since the last RPG tier adjustments were proposed in 2017 by NPRR837.

While the CPI tracks inflation costs of items such as food, shelter, gasoline, energy and other household costs, an Oncor analysis has determined that the cost of transmission projects has increased much more substantially during the last eight years than this general inflation index reflects. The CPI does not account for items specific and unique to transmission project development such as:

* Land necessary for transmission line Right-of-Way (ROW) and other facilities such as switching stations, substations, and Flexible AC Transmission Systems (FACTS) devices;
* Energized transmission construction methodologies, which are becoming increasingly common due to the inability to obtain transmission outages necessary for construction;
* Temporary bypass facilities to maintain energized facilities that cannot be outaged, which Oncor estimates at approximately $1.5M per circuit mile of 345kV rebuild, in addition to the full rebuild cost itself;
* Specialty equipment such as STATCOMs, for which procurement and commissioning costs have increased significantly.
* Overall increasing material and labor costs as a result of inflation and external factors such as tariffs.

Oncor’s evaluation has also revealed that certain projects submitted by Oncor for RPG review in the 2018 timeframe after the NPRR837 tier thresholds were applicable would be estimated to cost twice as much to construct today. For example, the Sand Lake – Solstice project, a 40-mile double circuit 345 kV line, was submitted by Oncor in 2018 as part of the Far West Texas 2 Project with a cost estimate of $2M per mile. Due to the drivers discussed above, similar projects in the same area estimated today can be as much as 100% higher in cost. Each project has a multitude of variables that are considered that have a direct impact on the overall costs, but Oncor has experienced an increase in cost ranging from 50% to 100% across all project types related to the factors discussed above.

Oncor also observes that ERCOT Independent Reviews (EIRs) are required for projects today that would not have been performed even three years ago. Oncor found several examples of projects that required RPG submission in 2024 for exceeding $100M in cost that would not have been submitted or received an EIR if submitted in 2022. This means projects today with similar scopes and system impacts to projects from two years ago that were previously less than $100M in cost are taking longer to process and are requiring more Transmission Service Provider (TSP) and ERCOT resources. For example:

* Oncor’s Venus Switch to Sam Switch 345kV Line Project
	+ Line rebuild projects not requiring a CCN with complex work sequencing due to limitations on outages
* Oncor Forney 345/138kV Switch rebuild project
	+ Switching station rebuild; additional autotransformer; line terminal equipment, and line reroutes to terminate into a new switch
* Oncor Tredway 138kV Switch and Expanse – Tredway 138kV 2nd circuit
	+ New switching station, new lines of nominal length, and line rebuilds not requiring a CCN

In these comments based on the analysis described above, Oncor proposes to double the RPG tier thresholds in NPRR1274.

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| **Revised Cover Page Language** |

None

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| Revised Proposed Protocol Language |

3.11.4.3 Categorization of Proposed Transmission Projects

(1) ERCOT classifies all proposed transmission projects into one of four categories (or Tiers). Each Tier is defined so that projects with a similar cost and impact on reliability and the ERCOT market are grouped into the same Tier. For Tier classification, the total estimated cost of the project shall be used which includes costs borne by another party.

(a) A project shall be classified as Tier 1 if the estimated capital cost is greater than or equal to $200,000,000, unless the project is considered to be a neutral project pursuant to paragraph (f) below.

(b) A project shall be classified as Tier 2 if the estimated capital cost is less than $200,000,000 and a Certificate of Convenience and Necessity (CCN) is required, unless the project is considered to be a neutral project pursuant to paragraph (f) below.

(c) A project shall be classified as Tier 3 if any of the following are true:

(i) The estimated capital cost is less than $200,000,000 and greater than or equal to $50,000,000 and a CCN is not required, unless the project is considered to be a neutral project pursuant to paragraph (f) below; or

(ii) The estimated capital cost is less than $50,000,000, a CCN is not required, and the project includes 345 kV circuit reconductor of more than one mile, additional 345/138 kV autotransformer capacity, or a new 345 kV substation, unless the project is considered to be a neutral project pursuant to paragraph (f) below.

(d) A project with an estimated capital cost greater than or equal to $50,000,000 that is proposed for the purpose of replacing aged infrastructure or storm hardening shall be processed as a Tier 3 project and shall be reclassified as a Tier 4, neutral project upon ERCOT’s determination that any concerns, questions or objections raised during the comment process have been resolved satisfactorily.

(e) A project shall be classified as Tier 4 if it does not meet the requirements to be classified as Tier 1, 2, or 3 or if it is considered a neutral project pursuant to paragraph (f) below.

(f) A project shall be considered a neutral project if it consists entirely of:

(i) The addition of or upgrades to radial transmission circuits;

(ii) The addition of equipment that does not affect the transfer capability of a circuit;

(iii) Repair and replacement-in-kind projects;

(iv) Transmission Facilities needed to connect a new Generation Resource, Energy Storage Resource (ESR), or Settlement Only Generator (SOG) to a new or existing substation on the existing ERCOT Transmission Grid, including the substation;

(v) The addition of static reactive devices;

(vi) A project to serve a new Load, unless such project would create a new transmission circuit connection between two stations (other than looping an existing circuit into the new Load-serving station);

(vii) Replacement of failed equipment, even if it results in a ratings and/or impedance change; or

(viii) Equipment upgrades resulting in only ratings changes.

(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 that which would be strictly indicated by these criteria, based on stakeholder comments, ERCOT analysis or the system impacts of the project.

(a) A project with an estimated capital cost greater than or equal to $100,000,000 that requires a CCN shall be reclassified and processed as a Tier 1 project upon request by a Market Participant during the comment period per Planning Guide Section 3.1.5, Regional Planning Group Comment Process.

(3) Any project that would be built by an Entity that is exempt (e.g., a Municipally Owned Utility (MOU)) from getting a CCN for transmission projects but would require a CCN if it were to be built by a regulated Entity will be treated as if the project would require a CCN for the purpose of defining the Tier of the project.

(4) If during the course of ERCOT’s independent review of a project, the project scope changes, ERCOT may reclassify the project into the appropriate Tier.