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PROJECT NO. 34577

PROCEEDING TO ESTABLISH §
POLICY RELATING TO EXCESS § BEFORE THE PUBLIC UTILITY
DEVELOPMENT IN §
COMPETITIVE RENEWABLE § COMMISSION OF TEXAS
ENERGY ZONES §

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**RESPONSE OF THE CITY OF AUSTIN D/B/A/ AUSTIN ENERGY
TO REQUEST FOR COMMENTS ON THE PROPOSAL FOR PUBLICATION
OF AMENDMENTS TO §25.174**

TO THE HONORABLE PUBLIC UTILITY COMMISSION:

NOW COMES The City of Austin d/b/a Austin Energy, (Austin Energy) and files these comments in response to the Public Utility Commission's Proposal for Publication of Amendments to §25.174 as approved at the July 2, Open Meeting and published in the Texas Register on July 17, 2009¹:

I. Introduction

Austin Energy appreciates the Commission's willingness to consider parties' expressed concerns associated with dispatch priority and amend the rule not only to entertain those concerns, but also to conform the rule to the realities of the pace of renewable development in the competitive renewable energy zones (CREZs).

With respect to the overarching issue of whether it is ever appropriate to implement a dispatch priority scheme in a CREZ, Austin Energy continues to believe that current legislation, the Commission's actions to date, and a timely build-out of Scenario 2, together will prove sufficient to allow the ERCOT market to achieve the goals and purposes of the CREZ process. Austin Energy would like to reiterate that implementing any dispatch priority other than the security constrained economic dispatch (SCED)

¹ 34 Tex. Reg. 4712 (2009) (to be codified at 16 Tex. Admin. Code § 25.174) (Public Utility Comm'n, Electrical Planning, Renewable Energy).

mechanism, which dispatches all resources on the same basis, has the potential to harm the market by introducing unnecessary inefficiencies, thereby detracting from the economic benefits the Commission has worked so hard to create through the implementation of the ERCOT nodal market.²

To the extent that SCED, when implemented as envisioned in the nodal market, does not resolve congestion in a reliable manner in a CREZ, Austin Energy agrees with the Commission that ERCOT should consider using a special protection scheme (SPS) as an option. ERCOT does that in its operations today and does not need a Commission rule to implement additional SPSs. However, that being said, the only reason ERCOT should ever consider implementing a SPS should be to address a reliability issue, not an economic issue.

II. Preamble Question

Should a requirement that renewable energy developers post a security deposit be added to any Tier of the proposed three-Tier test to establish financial commitment in the Panhandle CREZs? If so, how should the amount be determined? What procedure should govern the posting of the deposit? Should the deposit be posted with ERCOT or with a TSP designated to build transmission facilities in or to the Panhandle CREZs? What event should trigger a return of the deposit?

Austin Energy has no comment on this question at this time, but reserves its right to comment at a later date.

III. Comments on Proposed Rule Language

Subsection (e)

The rule should be clear that the only standard by which the Commission will determine whether or not SCED has been successful in resolving congestion is that of reliability. The financial success of one resource over another, whether it is wind over wind or wind over another resource, is a function of the market. It is not efficient for the

² *Proceeding to Establish Policy Relating to Excess Development in Competitive Renewable Energy Zones*, Project No. 34577, Comments of Austin Energy, CPS Energy, and the Lower Colorado River Authority (Nov. 5, 2007); and, Response of the City of Austin D/B/A Austin Energy to Request for Comments (Sept. 29, 2008).

Commission to determine on a case by case basis which resource should be profitable through dispatch or interconnection to the ERCOT grid.

Therefore, Austin Energy's suggestion is to strike subsection (e) of the rule. In the alternative, Austin Energy suggests the Commission clarify the proposed rule language as shown below to make it clear that reliability will be the sole criterion by which the Commission will determine that SCED has been unsuccessful in resolving congestion. The Commission should then not differentiate among resources based on arbitrary criteria as to their impact on the transmission system; but, rather ERCOT should evaluate the resource's location on the transmission system and its relative shift factor impact on the constraint and address the issue with a SPS or other appropriate technological solutions.

- (e) **Excess development in a CREZ.** If the aggregate level of renewable energy capacity for which transmission service is requested for a CREZ exceeds the maximum level of renewable capacity specified in the CREZ order, and if the commission determines that the security constrained economic dispatch mechanism used in the power region to establish a priority in the dispatch of CREZ resources is insufficient to resolve the congestion caused by excess development, the commission may initiate a proceeding and may consider limiting interconnection to and/or establishing dispatch priorities regarding the transmission system in the CREZ, and identifying the developers whose projects may interconnect to the transmission system in the CREZ under special protection schemes—ERCOT shall use special protection schemes or other analogous technological solutions to ensure reliability in the CREZ.

V. Conclusion

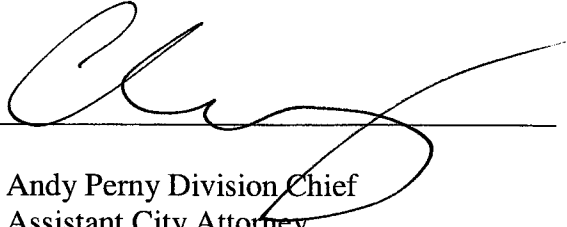
History has shown that wind developers are savvy enough to take advantage of Texas' vast wind resources, regardless of the pre-existence of transmission infrastructure adequate to deliver all of their energy. The Texas Legislature and the Public Utility Commission of Texas have enacted innovative policies to build transmission ahead of the wind resources and to reduce investor risk. The Commission has made a commitment to transmission development to support renewable resources in Texas, and this process is evidence that the Commission will continue to address the needs of the renewable community to the extent of its statutory authority.

Austin Energy appreciates the opportunity to respond to the Commission's Request for Comments on this issue.

Respectfully submitted,

CITY OF AUSTIN D/B/A AUSTIN ENERGY

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