

# *Public Utility Commission of Texas*

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## **Memorandum**

TO: Chairman Donna L. Nelson  
Commissioner Brandy Marty Marquez

FROM: Commissioner Kenneth W. Anderson, Jr.

DATE: September 23, 2015

RE: **Open Meeting of September 24, 2015, Project No. 42647; Agenda Item No. 15**  
– *ERCOT Planning and System Costs Associated with Renewable Resources and New Large DC Ties*

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The Electricity Reliability Council of Texas (ERCOT) recently filed a study requested by the Commission evaluating the need for a second 345-kV circuit on the Alibates-AJ Swope-Windmill-Ogallala-Tule Canyon transmission line (the AAWOTC Line) located in the Panhandle of Texas.<sup>1</sup> This study indicates that the transmission line does not quite meet the current economic criteria under ERCOT Protocols.<sup>2</sup> However, the study also points out that if 300 MW of wind capacity is added either at Windmill or Ogallala, then the economic criteria to hang the second circuit to the transmission line will be met.<sup>3</sup> ERCOT also points out that since the beginning of the study an additional 700 MW of wind generation projects are likely to be added in the area of this 345-kV circuit, of which 300 MW are to be located at Ogallala.<sup>4</sup> Based upon conversations with various developers, I believe that more wind above this 700 MW will ultimately be developed in the area as well.

Pursuant the Public Utility Regulatory Act § 39.904(g), the Commission's Competitive Renewable Energy Zone order (CREZ order)<sup>5</sup> selected "Scenario 2"<sup>6</sup> and designated the CREZ zones. The selected CREZ scenario contemplated that the resulting transmission would have the capacity to accommodate an estimated 18,456 MW of generation. Achieving the scenario's objective required that the AAWOTC Line be a double circuit 345-kV. The reason this second circuit was not constructed originally is because subsequently the Commission had to address the adequacy of the financial commitments required of wind developers. Ultimately, in Docket 37567 the Commission modified the requirement and found that wind developers had posted sufficient financial commitments for all the Panhandle CREZs in compliance with amended 16 TAC § 25.174.<sup>7</sup> As part of this proceeding, the Commission decided to delay completion of the second

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<sup>1</sup> ERCOT, *Electric Reliability Council of Texas, Inc.'s Submission Of The Panhandle Transfer Capability Analysis*, Project No. 42647, Item 58, (Sept. 15, 2015).

<sup>2</sup> *Id.* at 2.

<sup>3</sup> *Id.* See Attachment A at 2.

<sup>4</sup> *Id.* at 2.

<sup>5</sup> *Commission Staff's Petition For Designation Of Competitive Renewable Energy Zones*, Docket No. 33672, Order on Rehearing, (Oct. 7, 2008).

<sup>6</sup> *Id.* Finding of fact 117.

<sup>7</sup> *Commission Staff's Petition For Determination Of Financial Commitment For The Panhandle A And Panhandle B Competitive Renewable Energy Zones*, Docket 37567, Order at 1. (Jul. 30, 2010).

circuit until we knew there was enough committed capacity to justify its construction. Without this second circuit the CREZ project remains unfinished.

I feel that it is critical that the Commission provide regulatory certainty to market participants in ERCOT. Overall I believe that we have done so. Given the dramatic and continued expansion of wind generation in the region and being mindful of the need to provide regulatory certainty, I believe we should proceed with the completion of the second 345-kV circuit on the AAWOTC Line.

However, it also will be important to make clear that energizing this second 345-kV circuit completes the CREZ project and that NO further transmission projects will or even can be authorized under the CREZ Order or PURA § 39.904(g). Indeed, the Commission should consider opening up a rulemaking to state that the Commission has no authority under PURA § 39.904(g) to approve any other transmission projects without making a finding of need as required by law.

I look forward to discussing all of these issues with you at the open meeting.