

PROJECT NO. 40150

**PUC RULEMAKING PROCEEDING § PUBLIC UTILITY COMMISSION
CONCERNING AN ERCOT PILOT §
PROJECT § OF TEXAS**

**PROPOSAL FOR PUBLICATION OF AMENDMENTS TO §25.361
AS APPROVED AT THE FEBRUARY 24, 2012 OPEN MEETING**

The Public Utility Commission of Texas (commission) proposes amendments to §25.361, relating to the Electric Reliability Council of Texas (ERCOT). The proposed amendments add a new subsection (k) that would give ERCOT the authority to conduct pilot projects and allow ERCOT to grant temporary exceptions from ERCOT rules, as necessary to effectuate the purposes of the pilot projects. These amendments are competition rules subject to judicial review as specified in Public Utility Regulatory Act (PURA) §39.001(e). Project Number 40150 is assigned to this proceeding.

Temujin Roach, Economist, Competitive Markets Division, has determined that for each year of the first five-year period the amendments are in effect, there will be no fiscal implications for state or local government as a result of enforcing or administering the amendments.

Mr. Roach has determined that for each year of the first five years the amendments are in effect, the public benefit anticipated as a result of the amendments will allow ERCOT to conduct pilot projects to provide a temporary platform to evaluate resources, technologies, and processes that demonstrate the potential to advance the operational and market functions of the ERCOT system. There will be no adverse economic effect on small businesses or micro-businesses as a result of

enforcing the amendments. Therefore, no regulatory flexibility analysis is required. There are no economic costs to persons who are required to comply with the amendments.

Mr. Roach has also determined that for each year of the first five years the amendments are in effect, there should be no effect on a local economy, and therefore no local employment impact statement is required under Administrative Procedure Act (APA), Texas Government Code §2001.022.

The commission staff will conduct a public hearing on this rulemaking, if requested pursuant to the Administrative Procedure Act, Texas Government Code §2001.029, beginning at 9:30 a.m. on Thursday, April, 5, 2012 at the commission's offices located in the William B. Travis Building, 1701 North Congress Avenue, Austin, Texas 78701. The request for a public hearing must be received within 20 days after publication.

Initial comments on the proposed amendments may be submitted to the Filing Clerk, Public Utility Commission of Texas, 1701 North Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326, within 20 days after publication. Sixteen copies of comments on the proposed amendments are required to be filed pursuant to §22.71(c) of this title. Reply comments may be submitted within 30 days after publication. Comments should be organized in a manner consistent with the organization of the amended rule. All comments should refer to Project Number 40150.

The amendments are proposed under the Public Utility Regulatory Act, Texas Utilities Code Annotated §14.002 (West 2007 and Supp. 2011) (PURA), which provides the commission with the authority to make and enforce rules reasonably required in the exercise of its powers and jurisdiction, and specifically, PURA §39.151, which grants the commission oversight and review authority over independent organizations such as ERCOT.

Cross Reference to Statutes: PURA §14.002 and §39.151.

§25.361. Electric Reliability Council of Texas (ERCOT).

(a) - (j) (No change.)

(k) Pilot Projects

(1) ERCOT may conduct pilot projects to provide a temporary platform to evaluate resources, technologies, and processes that demonstrate the potential to advance the operational and market functions of the ERCOT system. The pilot projects will allow ERCOT to validate performance claims of alternative technologies, evaluate the extent to which new technologies or processes can provide services that comply with federal and state reliability standards, and review how resources perform in various operational and market scenarios. As part of a pilot project, ERCOT may grant temporary exceptions from ERCOT rules, as necessary to effectuate the purposes of the pilot project. ERCOT may use information gained from pilot projects to inform the development of permanent changes to ERCOT rules.

(2) Process for Development and Approval of Pilot Projects. ERCOT may conduct a pilot project upon approval of the scope and purposes of the pilot project by the governing board of ERCOT. Proposals for approval of pilot projects shall be made to the governing board only by ERCOT staff, after consultation with affected market participants and commission staff designated by the executive director. Pilot project proposals presented to the ERCOT governing board shall include:

(A) the scope and purposes of the pilot project;

- (B) designation of temporary exceptions from ERCOT rules that ERCOT expects to authorize as part of the pilot project;
 - (C) an estimate of costs ERCOT will incur attributable to the pilot project; and
 - (D) an estimated date of completion for the pilot project.
- (3) A decision of the ERCOT governing board approving a pilot project pursuant to this subsection constitutes “ERCOT conduct” for purposes of appeal to the commission pursuant to §22.251 of this title (relating to Review of Electric Reliability Council of Texas (ERCOT) Conduct).

This agency hereby certifies that the proposal has been reviewed by legal counsel and found to be within the agency's legal authority to adopt.

**ISSUED IN AUSTIN, TEXAS ON THE 23rd DAY OF FEBRUARY 2012 BY THE
PUBLIC UTILITY COMMISSION OF TEXAS
ADRIANA A. GONZALES**