ERCOT: A Recipe for Transmission Expansion Success

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Electric Reliability Council of Texas (ERCOT)

- organized in 1941
- Intrastate electricity network
  - One of three U.S. interconnections
  - Connected only by DC ties
- One of 10 NERC regional reliability councils
- Independent system operator since 1996
- Single control area operator since 2001
- Administrator of both retail and wholesale markets
Planning, building new transmission requires TEAMWORK

PUCT

ERCOT

Transmission Owners
Implementation of New Transmission Projects

Each team member has a defined role in a transparent process
ERCOT operates open, non-discriminatory planning process

- ERCOT staff leads and facilitates three Regional Planning Groups (North, South and West)

- Information about planned transmission projects is distributed to all stakeholders in these groups

- These groups provide the means for stakeholders to participate, express concerns, share alternatives, and provide input to the ERCOT staff independent recommendation
Established & transparent process encourages investment by Transmission Owners

- **ERCOT provides independent determination of need for new transmission with input from all stakeholders**
  - Planning benefits from tight integration with operations
  - Addresses both project reliability & economic issues

- **PUC reviews/approves new line (CCN)**
  - Transmission owner proposes possible routes
  - Transmission owner builds upon PUC approval

- **PUC authorizes timely cost recovery**
  - Postage stamp pricing streamlines process
  - Rate base updated periodically through investment tracker mechanism
ERCOT Results Speak for Themselves

Since 1999...

- Over 4,400 circuit miles of new/rebuilt lines
- 24,600 MVA autotransformer capacity
- Over $2.2 billion investment in upgrades

Projected additions through 2011...

- 3,750 miles of new/rebuilt lines
- 23,600 MVA autotransformer capacity
- Over $2.8 billion investment in upgrades
Key Factors in ERCOT’s Success – are they transferable to multi-state jurisdictions?

1. Independent, transparent planning process that includes all stakeholders
   - YES: RTO/ISO can lead process

2. Fair & balanced state regulatory process that results in consistent project certification
   - YES/NO: Will vary by region; federal back-stop may change this dynamic for some regions

3. Stable pricing mechanism that results in timely recovery of investments
   - ????????: federal/state interaction difficult