DOCKET NO. 33672

COMMISSION STAFF'S PETITION FOR DESIGNATION OF COMPETITIVE RENEWABLE ENERGY ZONES	**§ § § §**	**PUBLIC UTILITY COMMISSION OF TEXAS**

DISSENT OF COMMISSIONER JULIE CARUTHERS PARSLEY

In this proceeding, the Commission is required, after designating competitive renewable energy zones (CREZs), to "develop a plan to construct transmission capacity necessary to deliver to electric customers, in a manner that is most beneficial and cost-effective to the customers, the electric output" of the CREZs. PURA[1] § 39.904(g)(2). In addition, ERCOT has the statutory duty to ensure the reliability and adequacy of the regional electrical system. PURA § 39.151(a)(2). Reading these provisions in harmony, it can be seen that the plan for delivery of CREZ wind energy must not only be beneficial and cost-effective, but any reliability concerns raised in conjunction with a chosen plan must be adequately addressed to ensure the reliability and adequacy of the grid.

Here, the reliability concerns were addressed by the Ancillary Services Study conducted by GE. In this study, GE determined that the ERCOT grid was capable of reliably integrating 15,000 MW, which is a scaled representation of 18,456 MWs of wind generation capacity in a system several years in the future when ERCOT load is projected to reach a peak of approximately 80 GWs.[2] At this level, GE determined that the ancillary services necessary to support that level of wind integration could be provided without a significant increase in costs. However, GE cautioned against extrapolating the findings of its analysis beyond the 18,456 MWs studied,[3] and there is no evidence in the record to support a finding that a greater amount of wind energy can be integrated reliably, or cost effectively.

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[1] Public Utility Regulatory Act (PURA), TEX. UTIL. CODE ANN. §§ 11.001-66.017 (Vernon 2007).

[2] Direct Testimony of GE witness Walling, at 3.

[3] "The GE Study suggests that up to 15 GW of wind generation, the needed ancillary services could be provided without significant cost increases. Because the largest amount of wind generation examined in the GE Study was a 15 GW scenario, adopting a CREZ order that could result in a higher level of wind development poses the risk that the existing procedures for deploying ancillary services would not suffice or that the costs of maintaining reliability could be significant. In discovery responses submitted in connection with the GE Study, the authors made it clear that their conclusions about the ancillary service costs for the 15 GW scenario cannot be extended to higher levels of wind capacity." Direct Testimony of Jess Totten at 17.

The evidence is clear that Scenario 2 provides transfer capability for 11,553 MWs of CREZ wind capacity[4] that, when combined with the 9,569 MWs of existing wind generation that was in-service or had signed interconnection agreements as of March 31, 2008,[5] requires the ERCOT grid to integrate 21,122 MWs of wind energy—an amount that exceeds the limits of the GE Study.[6] Therefore, the record before us simply does not support a finding that ERCOT can reliably integrate, in a cost-effective manner, the full amount of CREZ wind capacity from Scenario 2 as presented.

Instead, given the findings in the GE Study, I would look to Scenario 2 for lines that could be built within the existing ERCOT footprint to support a transfer capacity of 15,000 to 18,000 total MWs, and prioritize those lines to create a staged transmission build-out. This would create a plan that not only would fall within the limits of GE Study, but would allow the Commission to both build the lines that are currently needed to move wind energy that is already constrained in the system to market,[7] and ensure that all wind energy was being reliably integrated. This balance is entirely feasible given the record before us, because the Commission is not limited in its decision to the strict plans presented in the ERCOT CTO study. Moreover, staging transmission construction could be accomplished without involving lengthy and complicated proceedings, and certainly without recreating the current proceeding.

I strongly believe in incorporating the maximum amount of wind energy possible into the ERCOT grid, but equally strong is my belief that the integration must be done in a cost-effective,

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[4] Direct Testimony of Dan Woodfin, Exhibit DW-1, at 2-3.

[5] Direct Testimony of Dan Woodfin at 7. As noted by ERCOT witness Woodfin, the base level of wind was 4,850 MWs during the first phase of this docket, had increased to 6,903 MWs at the time the CTO Study began (Woodfin at 3), and had increased to 9,569 MWs by the time the CTO Study was complete, including the amount of wind generation that was either in-service or that had signed interconnection agreements as of March 31, 2008. (Woodfin at 7).

[6] There is no evidence in the record that delineates the extent, if any, that the 9,569 MWs of current or pending wind energy duplicates any of the 11,553 MWs of CREZ wind.

[7] For instance, construction could begin with those lines already identified in the five-year plan that address areas with existing congestion in the McCamey, West, and Central West zones, and then continue with additional upgrades for CREZ resources in those areas.

reliable manner. Because I have grave concerns that the plan selected does neither, I respectfully dissent.

SIGNED AT AUSTIN, TEXAS the _____ day of August 2008.

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JULIE CARUTHERS PARSLEY, COMMISSIONER