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PROJECT NO. 40000

COMMISSION PROCEEDING TO  
ENSURE RESOURCE ADEQUACY IN  
TEXAS

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PUBLIC UTILITY COMMISSION  
OF TEXAS

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**ERCOT REPORT ON RESERVE MARGIN ANALYSIS**

In response to requests from Commissioners, ERCOT prepared the information filed with this pleading as Attachment A. In Attachment A, ERCOT provides its analysis estimating the impact of several recently publicized electric generation projects on ERCOT region reserve margins, using the data included in ERCOT's May 2012 Capacity, Demand, and Reserves (CDR) Report. ERCOT took the following steps in preparing Attachment A.

ERCOT took a baseline of the May 2012 CDR and showed the projected MW deficit based on both a 13.75% reserve margin (the currently approved reserve margin), and, as requested, on a 12.5% reserve margin (the ERCOT region reserve margin before it was changed to 13.75%). ERCOT then approximated the contributions for other potential resources, including the mothballed generation that is not included, pursuant to the CDR methodology, in expected resources. Each resource owner with mothballed generation provides ERCOT a probability of return for each unit. The probability given for each unit is multiplied by the capacity of the unit and included in the expected resources at that level of capacity. The remainder of the capacity of the unit is not included in expected resources.

Other contributions that currently do not meet the standards of inclusion for the CDR (*i.e.*, projects must have a signed interconnection agreement and air permits in place to be included), but have publicly announced projects with dates of operation, include:

- Solar projects by CPS Energy,
- Plant enhancements from GDF SUEZ, and
- New natural gas units from Calpine, the Lower Colorado River Authority, South Texas Electric Cooperative, and NRG.

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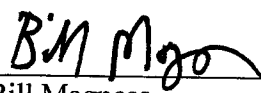
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Finally, ERCOT took into account the publicly announced project cancellation of Coletto Creek Unit 2, which was anticipated by summer 2017 in the May 2012 CDR. Notably, the recently announced Panda Power project in North Texas<sup>1</sup> was included in the May 2012 CDR, so did not result in an adjustment to the analysis in Attachment A.

ERCOT calculated the reserve margins based on whether each of the projects were to be available by the date indicated on publicly available sources, both with and without adding in mothballed generation that is not included in expected resources in the CDR.

It should be noted that permitting, availability of water contracts, and other challenges may negatively impact certain resources' ability to come on-line in a given year. In addition, ERCOT notes that it did not conduct a full re-calculation of the May 2012 CDR in response to this request, but rather conducted only the analysis described above.

Respectfully submitted,

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<sup>1</sup> Reuters News Service, "Panda Power Funds To Build 2<sup>nd</sup> Texas Gas-Fired Power Plant" (September 18, 2012), available at: <http://in.reuters.com/article/2012/09/18/utilities-texas-panda-idINL1E8KIBFA20120918>. "Panda Sherman Partners, an affiliate of the Dallas-based private equity firm Panda Power Funds, will build a 758-megawatt combined-cycle gas plant near Sherman, Texas, with an expected completion date at the end of 2014."

Attachment A  
Analysis prepared for August 17 and 30 Public Utility Commission of Texas (PUC) Open Meetings

	2013	2014	2015	2016	2017	
Firm Load Forecast (MW)	65,649	68,403	71,692	73,957	75,360	
Expected Resources (MW)	75,020	75,090	76,623	78,757	79,708	
Mothballed Generation included in Expected Resources (MW)	70	90	116	90	63	
Reserve Margin	14.3%	9.8%	6.9%	6.5%	5.8%	
Deficit below 13.75% Reserve Margin (MW)	0	2,719	4,927	5,369	6,014	
Deficit below 12.5% Reserve Margin (MW)	0	1,864	4,031	4,445	5,072	
<b>Approximate Contributions from Other Potential Resources (Not Included in Expected Resources in CDR)</b>						
Mothball Generation not included in Expected Resources (MW)	1,910	1,890	1,864	1,890	1,917	from CDR
CPS Solar Projects (MW)	50	85	190	295	400	from CPS website and news article (buildout is estimated)
Calpine Peakers (MW)	0	400	400	400	400	Multiple news sources indicate 520 MW; however in a presentation* to Barclay s, Calpine indicates that summer peaking is closer to 400
GDF SUEZ Uprates (MW)	135	135	135	135	135	
Ferguson Replacement (MW)	0	116	116	116	116	Incremental difference between anticipated mothball of Ferguson and the replacement project
STEC Peaker Project (MW)	200	200	200	200	200	June 11, 2012 Platts Publication
NRG W. A. Parish Peaking Unit (MW)	75	75	75	75	75	From information provided to the press
Sum Excluding Mothball Generation not included in Expected Resources	2,170	2,901	2,980	3,111	3,243	
Project Cancellations Since Completion of CDR	260	1,011	1,116	1,221	1,326	
Coletto Creek Unit 2 (MW)	0	0	0	0	-660	Public information
Sum of all the above (MW)	2,170	2,901	2,980	3,111	2,583	
Sum without Mothball Generation not included in Expected Resources	260	1,011	1,116	1,221	666	
Reserve Margin with these Other Potential Resources and Project Cancellation	17.6%	14.0%	11.0%	10.7%	9.2%	
Reserve Margin with these Other Potential Resources and Project Cancellation but excluding Mothball Generation not included in Expected Resources	14.7%	11.3%	8.4%	8.1%	6.7%	

\* <http://www.calpine.com/docs/Barclays%20Presentation.pdf>  
Permitting or other challenges may negatively impact certain resources' ability to come online in a given year.