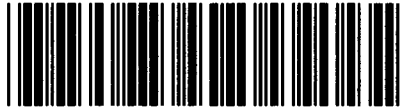




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Item Number: 312

Addendum StartPage: 0

PROJECT NO. 40000

COMMISSION PROCEEDING TO
ENSURE RESOURCE ADEQUACY IN
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ERCOT REPORT ON PROCESS CONSIDERATIONS AND
ROADMAP FOR RESOLUTION OF POLICY ISSUES

At the Commission’s Open Meeting on September 13, 2012, ERCOT agreed to work with Commission Staff to develop a process for the next steps in completing the Commission’s consideration of resource adequacy policy alternatives. As requested by the Commission, ERCOT provides the following suggestions for discussion at the Commission’s September 28, 2012 Open Meeting. In addition, ERCOT submits a “Resource Adequacy Roadmap” (Attachment A), in response to Commissioner Pablos’ request for a succinct summary of the Commission’s efforts to address and resolve resource adequacy concerns.

At its last Open Meeting and in the most recent workshop in Project No. 40000, the Commission identified areas for immediate additional research and analysis as it considers policy options on resource adequacy. First, a factual assessment of how much Demand Response could be achieved in the ERCOT market. Demand Response is a critical component of resource adequacy, and is a key element in the proposals submitted by stakeholders, as well as in the policy options identified in the Brattle Group study.¹ Additional empirical data on the availability of demand response will inform any of the policy options selected by the Commission.

Second, refinement of the policy options presented in the Brattle Report and further developed in stakeholder comments filed in Project No. 40000. At its September 6, 2012 workshop, the Commission discussed several of the proposals advanced by stakeholders, as well as the merits of the directional options included in the Brattle Group study. As part of its policy consideration, the Commission requested additional information regarding the major groups of issues arising under the various alternatives.

¹ Brattle Group, *ERCOT Investment Incentives and Resource Adequacy Report* (June 1, 2012), filed in Project No. 40000 (Interchange Item 151).

3/2

To provide the additional input requested by the Commission, ERCOT suggests that the Brattle Group prepare follow-up information, building upon work begun in its initial report. ERCOT has discussed this approach with Dr. Sam Newell at the Brattle Group, and he agrees the tasks identified herein can be completed for delivery to the Commission on October 15, 2012. The deliverables from Brattle Group would include two items:

1. An estimate of how much Demand Response can be achieved, and how quickly, in the ERCOT market. The Brattle Group's analysis would be based upon an assessment of the successes and failures of Demand Response efforts in other parts of the country, including a survey of the leading programs that curtail small customers voluntarily through air conditioning-cycling programs. The survey will not only quantify the penetration rates and total amounts achieved, but also will identify the factors that determine program success and consider how any lessons-learned might apply to Texas.

2. Detailed policy alternatives that build upon the proposals submitted to the Commission in Project No. 40000. To further crystallize the alternatives before the Commission, the Brattle Group would develop two "composite" proposals: one that highlights the major components of an energy-only option, and one that highlights the major components of a forward capacity market option. The composite alternatives would include elements of the proposals filed in Project No. 40000, together with additional components suggested by the Brattle Group's analysis. As it develops the composite alternatives, the Brattle Group will consult with the Commission, ERCOT, the Independent Market Monitor and stakeholders.

If the Commission adopts this course of action, ERCOT suggests that Brattle Group present its findings to the Commission at an Open Meeting or workshop after the October 15, 2012 filing of its deliverables.

ERCOT submits, as Attachment A, a "Resource Adequacy Roadmap," as envisioned by Commissioner Pablos at the September 13, 2012 Open Meeting. The roadmap puts the suggested course of action described in this filing in the larger context of the actions taken to date by the Commission, ERCOT, and the stakeholder community to analyze and resolve resource adequacy concerns in the ERCOT region. In addition, the roadmap identifies the next major steps necessary to implement any policy direction chosen by the Commission.

ERCOT will be available to discuss these issues at the September 28, 2012 Open Meeting.

Respectfully submitted,

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