



Control Number: 40000



Item Number: 557

Addendum StartPage: 0



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PUBLIC UTILITY COMMISSION
FILING CLERK

November 11, 2013

Commissioner Kenneth W. Anderson, Jr.
Texas Public Utility Commission
P.O. Box 13326
Austin 78711-3326

Re: Project No. 40000, Commission Proceeding to Ensure Resource Adequacy

Dear Chairman Nelson:

Texas Instruments (TI) is aware that the Public Utility Commission of Texas is considering the implementation of a forward capacity market as a way to assure that Texas continues to have adequate generation. TI opposes this solution, and suggests that alternatives such as the Supplemental Reserve Service (SRS) proposal, can achieve the same objective at a much lower cost.

Texas Instruments appreciates the leadership role that the Commission has taken on the issue of resource adequacy. It is an issue very important to TI, as the reliability of the Texas grid not only impacts our operations in ERCOT, but due to the way TI controls our global factories, it can also impact operations in other countries. While the reliability of our electricity supply is extremely important to us, so is our cost of electricity, as it impacts our ability to compete in the global marketplace. Texas Instruments operates in over 35 countries, and we still spend one third of our \$200m+ electricity budget in Texas.

We are aware that the Commission is considering various options to assure that generation resources continue to keep pace with our state's population and economic growth. TI urges you to keep an open mind to possible solutions as several exist – beginning with the ORDC currently being implemented. And should there be a need to move to an out-of-market solution, options also exist.

One such option is to implement a forward capacity market, however they have been implemented in other electricity markets, and have proven to be very costly. In fact a recent study showed well over 90 percent of capacity payments went to existing power plants – not new generation facilities, as this type of construct pays all suppliers instead of just those providing the reserves. In ERCOT, this solution would be just as inefficient, as we know that some suppliers may not be able to provide reserves due to their financial standings, and one in particular, Luminant, is not even permitted to build new generation because they're up against the 20 percent generation ownership cap.

TI supports an alternative solution, such as the SRS. It will be much more efficient, as only the generators providing the reserves are paid. A recent analysis performed by TIEC comparing the

cost of these two alternatives concludes that the SRS option will not only cost one fifth that of a forward capacity market, but it should result in actual generating assets being built. This is just one example of solutions that can provide the desired results at a lower cost.

Again, thank you for your leadership role on this issue. As you consider the options available to incent new generation, we hope that you will seriously consider the financial impact a solution will have not only on Texas manufacturer's competitiveness, but on the State's economy in general.

Very Truly Yours,

A handwritten signature in cursive script, appearing to read "Mark Leypoldt", written over a horizontal line.

Mark Leypoldt
Energy Supply Manager
Texas Instruments Incorporated