

**ERCOT's Comments To The Federal Energy Regulatory Commission's
November 18, 2005 Workshop On Docket RM05-30-000**

The Electric Reliability Council Of Texas (ERCOT) is a Regional Reliability Organization of the North American Electric Reliability Council (NERC). It is organized on an Interconnection wide basis. ERCOT is also an Independent System Operator (ISO) that operates a single Control Area grid contained within the State of Texas. Its only connection to other regions is through two DC ties to the Eastern Interconnection with a combined capacity of 820 MW.

ERCOT has overseen the reliability of its Interconnection through the use of computer based information systems since it first began operating Security Centers in 1983.

ERCOT became an Independent System Operator (ISO), certified by the Public Utility Commission of Texas (PUCT) under the laws of the State of Texas, on December 1, 1996. It is a totally independent corporation that oversees and operates 38,000 miles of high voltage transmission lines, 70,000 MW of generation and had a peak demand of 60,272 MW in 2005.

ERCOT has an outstanding record of reliability to date with no major grid disruptions or cases of cascading outages in its 64 year history.

ERCOT has been a Regional member of NERC since 1970. ERCOT staff actively serve on NERC committees and subcommittees and will continue this support with the Electric Reliability Organization (ERO). ERCOT participates fully in the NERC standards development process and will continue this participation with the ERO standards process.

ERCOT is a participant in the current NERC voluntary compliance program. The ERCOT ISO has an active compliance Group, functionally separated from the other ISO employees, that monitors the ERCOT operations activities and those of ERCOT stakeholder operations for compliance with NERC reliability standards. ERCOT will continue this level of participation and compliance with the ERO once it is in place and will apply to be the Regional Entity for its Region.

ERCOT will utilize a compliant Regional standards development process, but anticipates that any Regional standards developed for proposal to the ERO under that process will be limited in number and will be mostly variances from ERO standards necessary to allow for differences in characteristics of the ERCOT grid from that of the larger, multi-Regional Eastern Interconnection. ERCOT currently has a waiver from the NERC CPS 2 standard and a variance for a different CPS 1 coefficient to allow for the difference in grid characteristics. ERCOT believes that the future ERO standards, developed for the multi-Region Eastern Interconnection, may need to be very specific to that Interconnection to prevent seams differences from affecting overall grid reliability. In fact, these standards may need to be more restrictive to adequately ensure Eastern Interconnection reliability than those developed through the "least common denominator" principal needed to accommodate all three Interconnection characteristics in one

standard. Regional variances will allow ERCOT to comply with ERO Standards by utilizing the appropriate measures.

In accordance with the “rebuttable presumption for a Region developed on an Interconnection wide basis” language in the Federal Power Act, ERCOT firmly believes that any Regional variances developed under ERCOT’s Regional standards development process should be reviewed by the ERO staff for suitability and, if accepted, forwarded to the Federal Energy Regulatory Commission (Commission) for consideration of approval. ERCOT does not believe it is appropriate for its proposed Regional variances to be submitted to the full ERO standards development process ballot body for another vote as the overall industry participants will not have the benefit of the operational knowledge of the ERCOT Region.

The Commission’s decision on whether an ISO can be a Regional Entity is important to ERCOT. As mentioned above, ERCOT has a strong compliance monitoring and enforcement group functionally separated from the other ERCOT groups in accordance with State of Texas Laws and PUCT regulations. ERCOT’s reliability enforcement is directly overseen by the Texas Legislature and the PUCT in accordance with legislation strengthened as recently as this year’s legislative session. ERCOT believes this unique situation provides adequately for the ISO to also be the Regional Entity for the Region. This belief is supported by the PUCT filing in response to the Commission’s NOPR on Docket RM05-30-000. ERCOT is hopeful that the Commission will support this organization in its rulemaking.

ERCOT thanks the Commission for the opportunity to participate in this important undertaking for the future reliability of the Nation’s electric grids.