



Federal Energy Regulatory Commission
March 18, 2010
Open Commission Meeting
Staff Presentation
Item E-11 & E-12



"Good morning Chairman Wellinghoff and Commissioners.

Items E-11 and E-12 involve the proposed Tres Amigas Superstation, a unique three-way AC/DC transmission facility to be constructed in eastern New Mexico. According to Tres Amigas, the Superstation is designed to bridge the market separation between three asynchronous transmission interconnections in the United States, namely the Eastern Interconnection, the Western Interconnection, and the Electric Reliability Council of Texas, ERCOT. According to Tres Amigas, the Superstation would employ cutting edge technologies, such as voltage source converters and underground, superconducting DC transmission cable, to allow up to 30 gigawatts of power to be transmitted among the three interconnections. Tres Amigas believes that the Superstation will facilitate the development of an electric power marketing hub for buyers and sellers of power in the Southwestern United States and beyond. Tres Amigas also contends that the Superstation will provide new and significant



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trading opportunities in a part of the country that is rich in potential for renewable energy development.

The draft order E-11 addresses Tres Amigas' concerns over the jurisdictional status of a potential transmission line interconnecting ERCOT with the Superstation, as well as the effect of the interconnection on the unique jurisdictional status of ERCOT utilities. The draft order finds that Tres Amigas has not provided information to support a blanket disclaimer of jurisdiction in the event of interconnection between the Superstation and ERCOT. However, the draft order notes that other procedural mechanisms are available to allow for such a disclaimer and allow Tres Amigas to proceed with the Superstation. Specifically, the Federal Power Act vests the Commission with jurisdiction over the transmission of electric energy in interstate commerce, but provides exemptions for interconnection and transmission directed by the Commission pursuant to orders under sections 210 and 211. ERCOT utilities are not generally subject to Commission jurisdiction because their facilities only transmit power within Texas, except where transmission occurs between ERCOT and facilities outside Texas pursuant to Commission orders under sections 210 and 211. While there are certain limitations on who is eligible for an order under sections 210 and 211 of the Federal Power Act, the draft order explains that Tres Amigas could obtain such an order, which would allow a transmission line to be built interconnecting the proposed Superstation and ERCOT, while retaining the jurisdictional status quo.

The draft order E-12 grants Tres Amigas' request to sell transmission rights at negotiated rates, subject to certain conditions that are designed to ensure that rates for transmission service remain just and reasonable. Specifically, the draft order requires Tres Amigas to make all of its capacity available in the open season process and eliminate any proposed contracting restrictions other than with respect to anchor customer



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arrangements. With respect to anchor customer arrangements, the draft order grants Tres Amigas' request to enter into anchor customer agreements for up to 50 percent of the project's initial capacity, subject to the requirement that Tres Amigas offers the same terms and conditions to open season customers willing to make the same commitments as the anchor customer, consistent with Commission precedent. These and other conditions are important in ensuring that the Tres Amigas Superstation will not exercise market power and will operate in a just, reasonable and not unduly discriminatory manner. In this way, the draft order represents a balanced approach that recognizes the unique characteristics of the Project, the Applicant's need for flexibility in advancing its Project through the early stages of development, and customers' need for open access to regional transmission service at just and reasonable rates.

That concludes our presentation. Staff would be happy to answer any questions."