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BEFORE THE STATE OFFICE

PUBLIC UTILITY COMMISSION

FILED

APPLICATION OF THE CITY OF
GARLAND TO AMEND A
CERTIFICATE OF CONVENIENCE
AND NECESSITY FOR THE RUSK
TO PANOLA DOUBLE-CIRCUIT 345-
KV TRANSMISSION LINE IN RUSK
AND PANOLA COUNTIES

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OF

ADMINISTRATIVE HEARINGS

NRG'S STATEMENT OF POSITION

To the Honorable Administrative Law Judge:

COMES NOW NRG Texas Power LLC, Reliant Energy Retail Services LLC, and NRG Power Marketing LLC (collectively "NRG") pursuant to PUC Proc. R. 22.124 and offers this Statement of Position in lieu of testimony.

On February 25, 2016, the City of Garland, doing business as Garland Power & Light ("Garland"), filed an Application to amend its certificate of convenience and necessity for the addition of the Rusk to Panola double-circuit 345-kV transmission line in Rusk and Panola Counties ("Application"). Garland filed the Application pursuant to amendments to the Public Utility Regulatory Act as enacted during the last session of the Texas Legislature.¹ The proposed facilities would interconnect the Southern Cross Transmission LLC DC tie transmission project to the ERCOT grid and have up to 2,100 MW capacity for exports and imports to and from the ERCOT Region – and according to FERC approvals obtained by Southern Cross Transmission LLC, the associated, proposed HVDC facilities may ultimately reach 3,000 MWs of inter-regional transfer capability.² This is a significant development for the ERCOT Region and its competitive market deserving of a high level of scrutiny by the Commission.

Coincident with the Application, the Commission has an open rulemaking to address critical issues related to expansion of DC Ties in the ERCOT market, which will encompass the

¹ Senate Bill 933, 84th Regular Session 2015 enacting Public Utility Regulatory Act (PURA) sections 37.051(c-1) through (c-3).

² U.S. Federal Energy Regulatory Commission, Docket No. EL11-61-000, Southern Cross Transmission LLC, *Order Authorizing Proposal* (December 15, 2011).

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facilities proposed in the Application.³ Because the Application was filed in advance of the completion of that rulemaking proceeding, the Commission added additional issues to the Preliminary Order in this proceeding to address important issues that must be considered prior to ruling on Garland's CCN Application, to ensure that such transmission facilities would not be contrary to the public interest.⁴ Indeed, the legislation addressing this issue clearly provided the Commission with authority and direction that it "may prescribe reasonable conditions" on a new DC tie-related project, as well as granting authority to the Commission and ERCOT "to adopt rules or protocols of general applicability" related to DC tie CCN approvals.⁵ In both this proceeding and the rulemaking, it is important for the Commission to establish clear and consistent standards for the consideration of new DC tie projects into the ERCOT Region.

NRG is in general agreement with the Statement of Position filed by the Texas Competitive Power Advocates (TCPA). Rather than be unduly duplicative to that filing, NRG hereby recites the key aspects of needed oversight and review of the market implications and cost impacts presented by the facilities proposed in the Application.

1. *Full cost of the proposed facilities must be considered in the public interest evaluation –*

In order for the Commission to fully evaluate whether the proposed facilities are in the public interest, the Commission must consider the additional transmission investment that will be required to allow for the full utilization of the DC tie. As currently proposed and potentially expanded to 3,000 MW, the operations of the DC tie would result in increased transmission congestion. Thus, significant, additional transmission facilities will be necessary to support the full deliverability of the DC tie. The Applicant should provide adequate information to the Commission regarding the proposed and potential future system additions to support DC Tie operations that will be needed in future years that are ultimately paid for by ERCOT ratepayers, and that will impact the ERCOT market. In its evaluation of the public interest, the Commission should give appropriate weight to these factors as it deliberates the issues in this proceeding.

³ Commission Project 45124 *Rulemaking Regarding DC Ties Pursuant to SB 933, Municipally Owned Utilities Pursuant to SB 776, and Non-ERCOT Utilities Pursuant to HB 1535 of the 84th Legislature (R.S.); and Competitive Renewable Energy Zones.*

⁴ Commission Docket 45624 *Preliminary Order* (March 22, 2016).

⁵ PURA §37.051(c-1) and (c-3).

2. *Appropriate controls over DC Tie operations* – Under current market rules, transactions for energy flows over DC Ties are inflexible and are subject to few limitations.⁶ DC Tie schedules all flow, and absent emergency conditions or reliability issues (when ERCOT can curtail DC Tie schedules), they represent a large block of uncontrollable power production that cannot be dispatched by ERCOT’s Security Constrained Economic Dispatch (SCED) process, which for ERCOT resources is the system used to ensure the most efficient dispatch of power supply in ERCOT. When there is transmission congestion, DC Tie power flows effectively “trump” native ERCOT generation resources by consuming the available transmission capacity and ERCOT resources are curtailed; thus the DC Tie flows gain an uncompetitive advantage over resources within ERCOT. At a minimum, the Commission should condition approval of the Application facilities upon the adoption and implementation of ERCOT market rules to ensure that resources in ERCOT are not unfairly curtailed - and that competitive pricing dynamics are not biased in favor of out-of-state transactions and their beneficiaries, who generally do not pay for the costs of transmission upgrades in ERCOT needed to support such transactions.
3. *Impacts to the ERCOT market must be evaluated and mitigated where possible* - ERCOT’s energy-only market relies upon critical market design features, such as effective scarcity pricing, to produce market prices required for investment recovery and development of ERCOT resources. The proposed DC Tie introduces imports and exports of power seeking to arbitrage opportunities between markets. The ERCOT market would be greatly exposed to very different market structures including, for example, much lower offer caps and the presence of capacity markets.⁷ For coincident, extreme demand periods across neighboring grids, ERCOT would likely be the premium market, drawing high volumes of imports and suppressing prices during the typically short periods of scarcity, upon which the ERCOT market depends for proper investment signals. The long-term unintended consequence will be negative effects on proper price formation in ERCOT, perpetually limiting new resource development opportunities *within* ERCOT. NRG encourages the Commission to apply appropriate scrutiny to such threats to the ERCOT

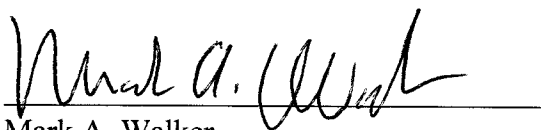
⁶ See ERCOT Protocols Section 4.4.4 *DC Tie Schedules*; and ERCOT Operating Procedure Manual, *DC Tie Operations* at <http://www.ercot.com/mktrules/guides/procedures>

⁷ The Midcontinent ISO and Southwest Power Pool have an offer cap of \$1,000.

market design. The Commission should condition approval of the Application on the adoption and implementation of market rules to protect the integrity of the ERCOT market pricing mechanisms and long term resource adequacy.

NRG reserves the right to address any other factual or legal issues that may arise during the hearing and the briefing of this proceeding, and to plead for any further relief to which it may be entitled.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served on all parties of record in accordance with the Order No. 3 in this Docket on this 27th day of

April, 2016.

