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APPLICATION OF THE CITY OF	§	
GARLAND, TEXAS, FOR A	§	BEFORE THE
CERTIFICATE OF CONVEINCE	§	
AND NECESSITY FOR THE PROPOSED	§	PUBLIC UTILITY COMMISSION
RUSK TO PANOLA DOUBLE-CIRCUIT	§	
345-KV TRANSMISSION LINE IN RUSK	§	OF TEXAS
AND PANOLA COUNTIES, TEXAS	§	

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.'S**  
**STATEMENT OF POSITION**

Along with the direct testimony of Dan Woodfin, Ted Hailu, and Warren Lasher, which is being filed separately today in this proceeding, Electric Reliability Council of Texas, Inc. (ERCOT) submits this Statement of Position to address various issues identified by the Public Utility Commission of Texas ("PUC" or "Commission") in its Preliminary Order of March 22, 2016. As a threshold matter, ERCOT generally agrees with Southern Cross Transmission LLC ("Southern Cross") that many of the identified issues involve complex and often technical policy questions that are not easily addressed within the procedural limitations of a contested case.<sup>1</sup> ERCOT therefore recommends that the Commission consider either addressing these issues in a separate rulemaking or requiring ERCOT to address these issues in its Protocols and/or other standards. The Commission's statutory right to impose "reasonable conditions" on the CCN in no way obligates the Commission to address these (or any other) issues in this proceeding.<sup>2</sup> Certainly, if the Commission would prefer in this proceeding to secure the timely future resolution of these issues, the Commission may wish to consider simply ordering, as a statutorily permitted "reasonable condition" on the interconnection of the Southern Cross DC tie project, that these issues be resolved through the relevant PUC or ERCOT processes by some date certain. Nevertheless, if the Commission elects to resolve these issues in this case, ERCOT offers the aforementioned testimony and the below comments to inform the Commission's decision on a number of the issues identified in the Preliminary Order.

<sup>1</sup> See Supplemental Direct Testimony of Mark Bruce on Behalf of Southern Cross Transmission LLC at 3:19-22 (March 28, 2016).

<sup>2</sup> See Tex. Util. Code § 37.051(c-2).

## **I. Introduction**

Many of the issues included in the Commission's Preliminary Order were initially identified in ERCOT's March 2, 2016 List of Issues (see Preliminary Order at page 3, item 4 ("ERCOT issues")).<sup>3</sup> Most of ERCOT's issues focused on the novel challenges presented by the interconnection of a new, substantially larger, privately financed, DC tie. For example, the possibility that the Southern Cross DC tie will become the new single largest contingency on the ERCOT system (whether importing or exporting at full capacity) raises questions of operational policy and cost allocation that should fairly be considered and addressed before the Southern Cross DC Tie project is permitted to interconnect with ERCOT.

Although the Commission unquestionably possesses the authority to fully resolve these issues as part of this contested case, many of these issues involve complex or highly technical considerations that may not be easily resolved in a contested case setting. For example, the question of whether DC Ties should be subject to some form of economic dispatch would presumably require a careful analysis of the costs, benefits, and feasibility of that approach, which would naturally include, among other things, an evaluation of the practicability of coordinating dispatch with one or more as-of-yet unidentified ISOs in the SERC region as well as a comparison of the costs of economic dispatch with the costs of other possible measures such as implementing a Remedial Action Scheme or Constraint Management Plan. ERCOT has not yet conducted such a study (nor is it aware of any other party that has conducted such a study) and will not be able to conduct such a study before the hearing on the merits in this proceeding. ERCOT therefore suggests that this question—among many of the other issues identified by ERCOT—is not sufficiently developed for resolution in this case.

The Commission's ability to fully consider the issues surrounding the interconnection of large DC Ties in this proceeding is constrained not only by the absence of needed studies, but also by the limited opportunity for comment in this contested case compared to that available under rulemaking and Protocol revision processes. A Commission rulemaking proceeding would

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<sup>3</sup> By raising these questions, ERCOT did not intend to suggest that they should be litigated in this proceeding; ERCOT included these issues only because of the possible argument that any or all issues relating to the proposed interconnection should be resolved as part of this CCN proceeding, in which case these issues would reasonably need to be considered. As noted in ERCOT's second issue under Part III in its list of issues, an important threshold consideration is whether these issues should be addressed in this proceeding when the Commission has an active rulemaking on DC Ties (PUCT Project No. 42647) and, more specifically, DC Tie CCNs (PUCT Project No. 45124).

allow for multiple rounds of comments as well as public dialogue on contested issues through Commission-hosted workshops. Rulemaking proceedings may also invite greater and more candid participation given the risk of discovery that accompanies contested case participation. Similarly, certain issues that fall within ERCOT's authority under PURA and Commission rules—especially questions involving particularly technical issues—may be better addressed by ERCOT or through the ERCOT stakeholder process. For example, questions concerning the appropriate method of modeling DC Ties in ERCOT planning cases might reasonably be considered by ERCOT's planning group or its ERCOT stakeholders, subject to Commission review.

Furthermore, nothing requires the Commission to address any of these issues in this proceeding. The statute authorizing the Commission's review in this proceeding requires only that, in approving the DC Tie CCN application, "the commission may prescribe reasonable conditions to protect the public interest . . . ."<sup>4</sup> This grant of discretion in no way limits the Commission's existing authority—or, for that matter, ERCOT's—to address issues of market and operations policy that may be raised by new technologies or developments. Rather, the permissive nature of the grant simply underscores the Commission's wide latitude to decide whether and when to address any of these issues. The final order in this case is not required to do anything beyond granting Garland its statutorily mandated CCN.

However, the Commission may prefer at least to note its intention to address one or more of the identified issues within a timeframe that would accommodate the project timeline contemplated by Garland and the developers of the Southern Cross DC Tie. If that is the case, ERCOT would recommend that the Commission consider ordering, as a "reasonable condition" on the CCN, that such identified issues be resolved in a PUC rulemaking or in an ERCOT stakeholder proceeding.

Nevertheless, if the Commission elects to decide any or all of the issues identified in the Preliminary Order in this proceeding, ERCOT has provided testimony on a number of these issues to help inform these decisions. ERCOT notes that it has not provided testimony on issue 4.c. as this involves only a question of cost allocation. In addition to this testimony, ERCOT provides the following comments on select issues.

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<sup>4</sup> Tex. Util. Code § 37.051(c-2).

## **II. Comments on Preliminary Order's Issues to be Addressed**

### **A. What reasonable conditions consistent with the FERC's final order in [FERC Docket No. TX11-1-01-001], if any, should the Commission prescribe in order to protect the public interest? (Preliminary Order Issue 2)**

As noted above, ERCOT does not read section 37.051(c-2) of the Utilities Code to require the Commission to address all potential DC tie-related concerns through this proceeding. The Commission may decide to address any issues through separate proceedings or it may require ERCOT to resolve certain questions through stakeholder forums or otherwise. If the Commission concludes that one or more of the issues identified in the Preliminary Order should eventually be resolved, but not in this proceeding, the Commission may wish to include in its order one or more "reasonable conditions" requiring that ERCOT and/or the PUC resolve certain issues by some specified date, as permitted by section 37.051(c-2).

### **B. Should the Commission require Southern Cross and Garland to give effect to the representations they made in [FERC Docket No. TX11-1-01-001]? (Preliminary Order Issue 2.b.)**

In the proceeding before FERC, Southern Cross Transmission LLC, Garland Power & Light Company, Oncor Electric Delivery Company LLC, and CenterPoint Energy Houston Electric LLC proposed an Offer of Settlement to resolve the case. FERC's final order approved the parties' Offer. Because this approval was sufficient to give legal effect to the settlement, no further action by the PUCT is necessary. However, ERCOT notes that the Offer of Settlement includes explicit language requiring Garland and SCT to comply with PUCT and ERCOT rules:

Garland and SCT shall operate the Garland-SCT Interconnection for any purpose, including the purchase, sale, exchange, transmission, coordination, commingling, or transfer of electric energy in interstate commerce with all applicable ERCOT and PUCT requirements.<sup>5</sup>

The order also explicitly recognizes the authority of PUCT and ERCOT to curtail transfers over the ties during emergency situations or in other situations identified by the PUCT:

Garland and SCT will maintain and use such Interconnection for any purpose, except in and during emergencies as determined by Garland, Oncor, or ERCOT, or except when otherwise ordered by a governmental entity with putative authority, regardless of the

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<sup>5</sup> FERC Docket No. TX11-1-001, Offer of Settlement at 12, para. (F).

source of the electric power in interstate commerce.<sup>6</sup>

These representations clearly reflect an understanding by the settling parties (including Southern Cross and Garland) that the PUCT and ERCOT retain important powers with respect to the operation of the proposed DC tie.

**C. Should the Commission require Southern Cross and ERCOT to negotiate and execute an agreement addressing coordination issues? (Preliminary Order Issue 3.b.)**

ERCOT sees no reason that the Commission should require ERCOT and Southern Cross to negotiate and execute any sort of coordination agreement. ERCOT suggests that all coordination issues be addressed through generally applicable standards that would govern all similar DC Ties. ERCOT's operational rights with respect to the tie are detailed in the NERC Reliability Standards and the ERCOT Protocols, and as Southern Cross has acknowledged, these standards give ERCOT "unilateral authority . . . to ensure system reliability by disapproving E-tag requests, curtailing DC Tie exports, or otherwise directing the operation of any DC Tie interconnected to the ERCOT transmission system."

ERCOT will likely need a coordination agreement addressing emergency coordination, inadvertent energy transfers, and related settlements with the Independent System Operator (ISO)/Regional Transmission Operator (RTO) or Balancing Authority (BA) for the corresponding system on the eastern end of the tie (see part 2.D., below), but the tie operator will not need to be a party to this agreement.

**D. How will ERCOT coordinate with the other independent system operators (ISOs)/regional transmission organizations (RTOs) and/or NERC balancing authorities (BAs) on imports or curtailments or exports during emergencies? In the event ERCOT is unable to reach agreeable terms with the other affected ISOs/RTOs and/or BAs, what measures may/should ERCOT take to ensure reliability? (Preliminary Order Issue 4.g.)**

Before the Southern Cross project is permitted to interconnect with the ERCOT system, ERCOT will need to have successfully negotiated and executed a coordination agreement with the ISO/RTO or BA at the other end of the tie to address the use of the tie during emergency conditions, including cases of capacity insufficiency. When such a condition arises on the ERCOT system, ERCOT attempts to utilize the DC ties to the maximum extent possible before shedding firm load. NERC Standards explicitly authorize BAs such as ERCOT to both deny

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<sup>6</sup> FERC Docket No. TX11-1-001, Offer of Settlement at 12, para. (D).

requested schedules and to curtail existing schedules over the DC Tie interchange if they cannot be supported. See NERC Reliability Standard INT-006-4, R1.1. However, the NERC standards do not address the rights of Reliability Coordinators (RC) (which would include ISOs) or BAs to obtain additional imports from another RC/BA, nor do they address how one RC/BA should compensate another RC/BA for any such imports. For this reason, an agreement governing these terms is necessary to ensure certainty of energy availability during emergency exchanges.

ERCOT has already entered into two such agreements. ERCOT's agreement with Southwest Power Pool, Inc. (SPP) addresses—among other issues—transfers over the North and East DC ties during emergency conditions.<sup>7</sup> ERCOT's agreement with Mexico's Comisión Federal de Electricidad (CFE) governs all transfers over the Railroad and Eagle Pass DC ties as well as the Laredo variable frequency transformer, and includes specific details regarding operations during emergency conditions. Both agreements secure ERCOT's right to additional imports over the ties during emergency conditions, while also requiring ERCOT to export power over the ties when the foreign control area experiences an emergency condition (in all cases, those transfers are subject to the availability of additional generation in the exporting region).

### **III. Conclusion**

ERCOT respectfully requests that the Commission consider whether this CCN proceeding provides the optimal forum for evaluating the many or all policy issues identified in the Preliminary Order, when the PUCT rulemaking and ERCOT Protocol-revision processes may provide greater opportunities for discussion and comment. If the Commission prefers to address these issues in some way as part of this proceeding, it may wish to consider imposing “reasonable conditions” on the requested CCN by ordering that any or all of these policy issues be resolved through PUCT or ERCOT processes before the project is permitted to energize. Alternatively, if the Commission finds it appropriate to resolve any or all of these issues in this contested case, ERCOT requests that the Commission give due consideration to these comments and to ERCOT's separately filed testimony.

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<sup>7</sup> The ERCOT-SPP Coordination Agreement incorporates by reference the *ERCOT DC Tie Operating Procedure* document, which includes communications and settlement requirements for transfers across the ties during emergencies.

Respectfully submitted,



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ATTORNEYS FOR ELECTRIC  
RELIABILITY COUNCIL OF TEXAS, INC.

#### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of this document was served on all parties of record on April 27, 2016, by posting on the PUC Interchange in accordance with the provisions regarding service in SOAH Order No. 3 in this proceeding.

