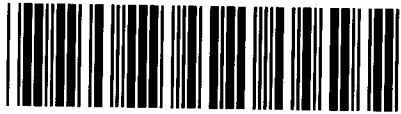




Control Number: 45624



Item Number: 320

Addendum StartPage: 0

SOAH DOCKET NO. 473-16-2751
DOCKET NO. 45624

RECEIVED

2016 MAY 24 PM 1:40

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

BEFORE THE
PUBLIC UTILITY COMMISSION

OF

TEXAS

CROSS REBUTTAL TESTIMONY

OF

CHARLES S. GRIFFEY

ON BEHALF OF

TEXAS INDUSTRIAL ENERGY CONSUMERS

May 24, 2016

PUC DOCKET NO. 45624

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

TABLE OF CONTENTS

I. INTRODUCTION AND SUMMARY	3
II. ISSUES RAISED BY LUMINANT.....	5
III. ISSUES RAISED BY ERCOT WITNESSES.....	10

1 **CROSS REBUTTAL TESTIMONY OF CHARLES S. GRIFFEY**

2 **I. INTRODUCTION AND SUMMARY**

3 **Q. ARE YOU THE SAME CHARLES S. GRIFFEY WHO PREVIOUSLY FILED**
4 **TESTIMONY IN THIS CASE?**

5 **A. Yes.**

6 **Q. WHOSE DIRECT TESTIMONY ARE YOU ADDRESSING IN THIS CASE?**

7 **A. I address portions of the testimony of Luminant witnesses Amanda Frazier and Shams**
8 **Siddiqi and ERCOT witnesses Warren Lasher, Dan Woodfin, and Ted Hailu.**

9 **Q. PLEASE SUMMARIZE YOUR CROSS REBUTTAL TESTIMONY.**

10 **A. My recommendations are as follows:**

11 (1) The Commission should reject Mr. Siddiqi's recommendation to require ERCOT
12 to artificially increase prices when DC Tie exports are curtailed (or if imports are
13 requested). First, I do not agree that this is an "out-of-market" action. As described in
14 the testimony of Messrs. Woodfin and Lasher, there are a number of reasons why DC Tie
15 flows between the ERCOT market and other regions do not respond as quickly as if the
16 activity was occurring within the ERCOT market. Further, scarcity pricing in ERCOT is
17 significantly higher than in other power pools, so a lack of imports from available
18 generation during an Emergency Energy Alert (EEA) indicates a market failure—not
19 price suppression based on so-called "out-of-market" actions. Loads should not be
20 penalized for market failures between ISOs, nor should generators be excessively
21 compensated.

1 Further, Mr. Siddiqi's proposal is asymmetrical, because it would adjust prices for
2 DC Tie operations only when generators would benefit. Exports over a DC Tie create
3 additional demand on the ERCOT system. All else being equal, greater demand creates
4 higher prices, so customers will generally be exposed to higher prices in most periods in
5 which DC Ties are exporting throughout the year. The Commission should not
6 artificially increase prices to pretend that DC Tie exports are still occurring when they
7 have been curtailed unless customers will be held harmless in all other periods where DC
8 Tie imports *increase* prices. Generators should not be granted a "tails I win, heads you
9 lose" adjustment for the price impacts of DC Tie operations.

10 (2) The Commission should also reject Mr. Siddiqi's recommendation to impose a
11 general requirement that ERCOT adopt a congestion management plan (CMP) or special
12 protection scheme (SPS) to ensure that existing generators' transmission access is not
13 impacted by DC Tie imports. ERCOT witness Mr. Woodfin accurately notes that neither
14 a CMP nor an SPS is a one-size-fits-all tool, and the Commission should not mandate
15 either approach without first identifying a need under the specific circumstances of the
16 DC Tie. Luminant has not identified any reason why ERCOT's existing process for
17 considering and implementing these tools should be amended specific to the Southern
18 Cross project, or for large DC Ties in general. Generators are not entitled to a static
19 topology or priority transmission access.

20 (3) The Commission should also reject Ms. Frazier's recommendation to impose
21 conditions in the CCN that would ensure "full deliverability" of imports over the SCT
22 line. ERCOT does not guarantee full deliverability from a resource under any current or
23 future conditions, and there is no justification for doing so here. Building transmission or

1 imposing other operational actions to prevent *any congestion whatsoever* is inconsistent
2 with sound electric market design, would not be cost-effective, and has no precedential
3 basis. Rather, transmission upgrades to address congestion should be subject to the same
4 cost/benefit analysis as other projects under existing PUC rules and ERCOT planning
5 requirements.¹

6 (4) Additionally, as I recommended in my Direct Testimony, the Commission should
7 require exporters to bear the cost of any upgrades to the transmission system needed to
8 support exports.² Mr. Lasher suggests that a new DC Tie be incorporated into the
9 ERCOT transmission models once it provides security and a notice to proceed for its
10 associated interconnection facilities. While this may be appropriate for modeling
11 purposes, it does not address who should be responsible for the cost of transmission
12 upgrades to support exports. DC Ties are differently situated from generators within
13 ERCOT, and should not be entitled to the same beneficial treatment on transmission
14 upgrades to support exports.

15 II. ISSUES RAISED BY LUMINANT WITNESSES

16 Q. PLEASE DESCRIBE YOUR UNDERSTANDING OF LUMINANT WITNESS
17 SHAMS SIDDIQI'S RECOMMENDED CONDITIONS.

18 A. Mr. Siddiqi recommends that the Commission:

19 (1) *either* direct ERCOT to increase prices when exports are curtailed during

20 EEA conditions in general, *or* condition approval of SCT's CCN "on ERCOT

¹ TIEC advocates the reinstatement of the "consumer impact test" in transmission planning, which identified transmission upgrades that would reduce LMPs more than the revenue requirement would increase rates. This economic test was eliminated as part of generator efforts to delay/cancel the Houston Import Project. I agree with TIEC's position and would support resurrecting this type of economic planning test, which could alleviate some of Luminant's issues.

² Luminant witness Ms. Frazier testified that she agrees with this position.

1 mitigating price reversal and suppression during ERCOT-directed curtailment of
2 exports or emergency imports over the tie line during emergency conditions;” and
3 (2) condition approval on ERCOT developing a transmission CMP applicable to
4 imports over the tie line in order to resolve congestion created by such imports
5 and to provide policy guidance as to how a CMP should be implemented to
6 resolve such congestion.³

7 **Q. ARE MR. SIDDIQI’S PROPOSALS IN THE PUBLIC INTEREST OR FAIR TO**
8 **CONSUMERS?**

9 A. No. Mr. Siddiqi overlooks that DC Ties are a two-way street. All other things being
10 equal, exports over a DC Tie will generally increase prices within ERCOT because
11 exports are equivalent to adding demand at the exporting node, and greater demand clears
12 the price curve at a higher point.⁴ This means that any time a DC Tie is exporting,
13 customers will generally pay a higher price than they would otherwise. Therefore, if
14 ERCOT were to curtail exports during an EEA event, prices would tend to fall.

15 Luminant’s proposal is inequitable to consumers because it would ignore
16 Locational Marginal Price (LMP) increases in *intervals when exports are occurring*, but
17 would hold generators harmless when exports are curtailed or imports are requested
18 under emergency conditions. Unless the Commission intends to require ERCOT to
19 adjust prices as if the DC Ties did not exist in all intervals, including those where it
20 would reduce LMPs, Luminant’s proposal is unreasonably biased and should be rejected.
21 This is a classic “tails I win, heads you lose” position for generators. If prices will

³ Direct Testimony of Shams Siddiqi at 5-6.

⁴ This would only not be the case if zero-cost renewables were constrained by lack of demand, i.e., if there were more potential zero-cost production available than there were demand.

1 increase based on DC Tie exports during non-EEA hours, it is against the public interest
2 to ignore the corresponding reduction in prices from curtailing exports (or calling
3 imports) during EEA events.

4 **Q. DO YOU AGREE THAT ERCOT INTERVENTION CREATES SO-CALLED**
5 **“OUT-OF-MARKET” PRICE REDUCTIONS DURING EEA CONDITIONS?**

6 A. No. As explained in the testimony of ERCOT’s witnesses in this case, DC ties are not
7 (and currently cannot be) economically dispatched within security constrained economic
8 dispatch (SCED). Further, generators in the Eastern Interconnect (or other power pools)
9 are often not direct participants in the ERCOT market. Therefore, export curtailments
10 and import requests during EEA events are driven primarily by mismatches in
11 controllable generation and market awareness, not by a true scarcity situation, once DC
12 Tie capability is considered. This is a market failure between two regions that demands
13 an appropriate intervention, but does not justify artificially increasing market prices in
14 ERCOT. For instance, ERCOT cannot currently create imports into ERCOT, even under
15 EEA conditions, unless generators on the other side of the DC Tie agree to provide
16 energy and actually have power to sell. Yet, if utilities in the Eastern Interconnect have
17 available capacity that costs less than \$9,000 per MWh, they should already be selling
18 into ERCOT during emergency conditions. Generators in the Eastern Interconnect are
19 not necessarily market players in ERCOT, though, so if economic imports do not occur,
20 even when they would be profitable, this is a *market failure*—not an out-of-market
21 intervention by ERCOT. If outcomes were purely driven by economics, and were not
22 impaired by shortcomings in market coordination, scheduling, or transparency across
23 ISOs, then imports would be higher and prices would be lower in these instances.

1 Therefore, requesting imports during EEA events is not an “out-of-market action” but is
2 simply a correction for a known market failure between two power regions. There is no
3 reason why customers should bear additional costs associated with these corrections, or
4 why ERCOT generators should reap additional profits.

5 **Q. WHY IS LUMINANT’S CMP CONDITION NOT IN THE PUBLIC INTEREST?**

6 A. As Mr. Woodfin has testified, the need for a CMP is fact-specific, and a CMP may not be
7 appropriate in every case where a DC Tie creates congestion.⁵ Yet Luminant proposes
8 that the Commission order a CMP in this case, without any study to determine whether
9 this recourse is appropriate. Without knowing whether a CMP is necessary, there is no
10 reason for the Commission to make a general pronouncement that such mitigation is
11 required for the SCT Tie or for all DC Ties.

12 **Q. HOW IS MR. SIDDIQI’S CMP PROPOSAL SIMILAR TO MS. FRAZIER’S**
13 **PROPOSAL THAT THE COMMISSION SHOULD ENSURE “FULL**
14 **DELIVERABILITY” OF BOTH IMPORTS AND EXISTING GENERATION?⁶**

15 A. Both plans are designed to protect existing generators, like Luminant, from competition
16 for transmission access, regardless of whether this is cost-effective for customers. Mr.
17 Siddiqi’s CMP proposal would automatically cut imports to ensure that existing
18 Luminant generation is not forced to curtail. I am not aware of any precedent for this
19 type of priority dispatch in ERCOT. Ms. Frazier’s proposal would similarly ensure that
20 Luminant’s generation near the SCT line is never constrained by requiring ERCOT to

⁵ Direct Testimony of Dan Woodfin at 9-10.

⁶ Direct Testimony of Amanda Frazier at 6.

1 plan the transmission system so as to guarantee full deliverability for that generation and
2 for all imports. If this were a valid reason to build transmission, customers would be
3 required to fund uneconomic projects anytime it would maximize a generator's ability to
4 sell its output—regardless of whether the upgrades would provide net economic benefits
5 to customers. No generator is entitled to protection from changes in system topology,
6 including the creation of DC Ties. Luminant's proposal is not a rational or economically
7 sound planning approach.⁷

8 **Q. WHY IS MS. FRAZIER'S PROPOSAL AGAINST THE PUBLIC INTEREST?**

9 A. Customers should only pay for upgrades that are necessary to maintain reliability, or that
10 would cost-effectively address congestion. No evidence has been presented to
11 demonstrate that "full deliverability" under all conditions is a cost-effective planning
12 approach, and this is certainly not necessary to comply with reliability standards. There
13 is nothing special about the existing Luminant generation in the vicinity of either the DC
14 Tie interconnection or the SCT line itself that entitles Luminant to special treatment and
15 unique planning considerations.

16 **Q. DO YOU AND MS. FRAZIER HAVE ANY COMMON GROUND?**

17 A. Yes. We both agree that the Commission should make a general finding that exporters
18 should bear the cost of upgrades needed to support exports over the DC Tie.⁸

⁷ Again, I believe that reinstating the consumer impact test would provide a principled approach to addressing some of Luminant's concerns, but I do not support pursuing "full deliverability" independent of cost-effectiveness.

⁸ Direct Testimony of Amanda Frazier at 7-9.

1 **III. ISSUES RAISED BY ERCOT WITNESSES**

2 **Q. WHAT ISSUES DOES MR. WOODFIN RAISE WITH RESPECT TO DC TIES**
3 **AND SCT IN PARTICULAR?**

4 A. Among other things, he notes that SCT would be the largest contingency on the system
5 both as a resource and as a demand. He also notes that there likely needs to be a ramp
6 rate limit on the SCT DC Tie.

7 **Q. WHAT ARE THE IMPLICATIONS OF MR. WOODFIN'S OBSERVATIONS**
8 **FOR YOUR DIRECT TESTIMONY?**

9 A. His observations support my position that SCT's benefits analysis is inadequate because
10 it ignores increases in ancillary service costs. A larger single-system contingency will
11 require ERCOT to buy greater quantities of ancillary services when SCT is importing,
12 which will be charged to customers. Additionally, Mr. Woodfin notes that, when SCT is
13 exporting, ERCOT will either need to buy more Regulation-Down service or procure a
14 new ancillary service to maintain reliability if the SCT line is out of service. *None of*
15 *these costs were considered in the analysis presented by SCT.* Consistent with my
16 recommendation in my Direct Testimony, the cost of additional ancillary services to
17 support exports should be charged to the exports.

18 **Q. WHAT OBSERVATIONS DID MR. LASHER PROVIDE REGARDING HOW**
19 **ERCOT TYPICALLY MODELS EXISTING DC TIES?**

20 A. When studying reliability for lines within ERCOT, the DC Tie interconnections to SPP
21 are assumed to be importing at their full capacity, while the ties with Mexico are set to

1 full export. When determining whether it is economic to upgrade the lines within the
2 ERCOT system to relieve congestion, Mr. Lasher states that ERCOT models the ties with
3 SPP as a resource with a cost profile similar to that of a combined cycle gas turbine.
4 ERCOT models to DC Ties with Mexico to be exporting, with an hourly profile based on
5 relevant historical data.

6 **Q. WHAT IMPLICATIONS DO MR. LASHER'S OBSERVATIONS HAVE FOR**
7 **YOUR DIRECT TESTIMONY?**

8 A. His testimony supports my direct testimony. In particular, his testimony about the DC
9 Ties with Mexico supports my argument that it was unrealistic for SCT to have modeled
10 those ties as importing 430 MW of zero-cost power in every hour, given that history
11 shows that these ties generally export power from ERCOT. This discrepancy can
12 produce up to an 860 MW swing in apparent demand on the system. This will have
13 significant effects in lower demand hours, and it results in SCT's analysis showing
14 production cost benefits that are unlikely to be realized.

15 **Q. DOES MR. LASHER'S RECOMMENDATION ON WHEN TO INCLUDE A DC**
16 **TIE IN PLANNING MODELS CAUSE YOU TO CHANGE YOUR DIRECT**
17 **TESTIMONY?**

18 A. No. While Mr. Lasher's conditions on when to include a line in planning models may be
19 appropriate, Mr. Lasher does not address who should pay for a line or upgrade needed to
20 export power from ERCOT. As I explained in my direct testimony, the Commission
21 should require that exports bear the costs of such upgrades and should not allow
22 additional lines to be placed in TCOS.

1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A. Yes.

SOAH DOCKET NO. 473-16-2751
DOCKET NO. 45624

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

§
§
§
§
§
§
§

BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

AFFIDAVIT OF CHARLES S. GRIFFEY

STATE OF TEXAS

§
§
§

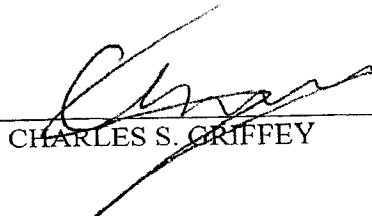
COUNTY OF HARRIS

Before me, the undersigned authority, on this day personally appeared the person known by me to be Charles S. Griffey, who, after being sworn by me, stated as follows:

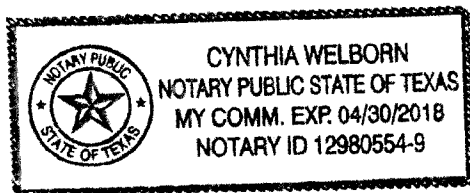
1. My name is Charles S. Griffey. I am over eighteen years of age, am of sound mind and competent to make this Affidavit. I have personal knowledge of every statement contained in this Affidavit, and every statement contained herein is true and correct and based on my own personal knowledge.

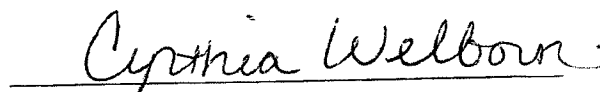
2. I make this Affidavit in support of my testimony on behalf of the Texas Industrial Energy Consumers. Attached hereto and made a part hereof for all purposes is my Cross-Rebuttal Testimony and Exhibits, which have been prepared in written form for introduction into evidence in SOAH Docket 473-16-2751 and Public Utility Commission of Texas Docket No. 45624.

3. I hereby swear and affirm that my answers contained in the testimony are true and correct.


CHARLES S. GRIFFEY

SUBSCRIBED AND SWORN to before me on this the 24th of May, 2016 to certify which witness my hand and seal of office.




Notary Public