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APPLICATION OF CITY OF GARLAND, §
TEXAS, TO AMEND 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 STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

**LUMINANT GENERATION COMPANY LLC AND
LUMINANT ENERGY COMPANY LLC'S REPLY BRIEF**

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

APPLICATION OF CITY OF GARLAND, TEXAS, TO AMEND 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 STATE OFFICE OF ADMINISTRATIVE HEARINGS
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**LUMINANT GENERATION COMPANY LLC AND
LUMINANT ENERGY COMPANY LLC'S REPLY BRIEF**

TO THE HONORABLE ADMINISTRATIVE LAW JUDGES:

Pursuant to SOAH Order No. 2 issued in this docket, Luminant Generation Company LLC and Luminant Energy Company LLC (collectively, Luminant) file this Reply Brief, respectfully showing as follows:

I. INTRODUCTION

Although the parties addressing the Southern Cross issues in this case appear to have coalesced around a common understanding of the legal framework that governs this proceeding, some confusion persists about the statutory obligations incumbent upon the Commission in reviewing and approving Garland's CCN application. The purpose of this docket is not simply to rubber stamp Garland's application for a CCN to interconnect the SCT Project to ERCOT. On the contrary, the Legislature determined it was necessary to amend PURA¹ for the specific purpose of allowing the Commission to fully assess the impacts posed by this Project, thereby "[e]xtending the CCN process" in order to "give the PUC a way of examining these issues" of grid reliability, wholesale market prices, and costs to operate the grid in order "to determine the impacts on consumers and producers."²

In light of this statutory directive, it is critical for Your Honors and the Commission to properly distinguish between *policy issues* that relate to DC ties generally and the *specific impacts* posed by the SCT Project that affect the public interest, as established by the record

¹ Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (West 2007 & Supp. 2015) (PURA).

² See House Research Organization, Bill Analysis, S.B. 933, 84th Leg., R.S. (May 25, 2015).

evidence in this case. While the former need not all be resolved in the context of this contested case, the latter certainly must be addressed and accounted for by the conditions the Commission attaches to the interconnection of the SCT Project. In particular, the final order in this docket should recognize—and include specific protections to address—the impact of the SCT Project on price formation and transmission congestion. These impacts are not merely theoretical policy questions of generalized concern that should be left for future resolution through the ERCOT stakeholder process, but are actual consequences posed to the ERCOT market by interconnection of the SCT Project. Accordingly, it is appropriate for Your Honors to recommend, and the Commission to order, that the necessary protections be put in place *before* the SCT Project is energized and as a condition to its interconnection.

II. DISCUSSION

On at least two key issues, there is broad consensus among the parties: (1) the Commission should, as a condition in this docket, bind Southern Cross to ERCOT's operating requirements by ordering Southern Cross to execute a Market Participant Agreement with ERCOT,³ and (2) the Commission, in approving the application in this docket, should include specific ordering language directing ERCOT to perform further actions that are necessary to protect the public interest in connection with the SCT Project.⁴ Disagreement lies in what further conditions are appropriately ordered in this docket to protect the public interest, and how the Commission's order should address any such conditions that will ultimately be implemented by ERCOT or through the ERCOT stakeholder process.

³ Redacted Texas Industrial Energy Consumers' (TIEC) Initial Brief at 20; Commission Staff's Initial Brief (Redacted) at 9; Texas Competitive Power Advocates (TCPA) Initial Post-Hearing Brief at 5; Initial Brief of Southern Cross Transmission LLC (Southern Cross) at 5; Initial Brief of the City of Garland (Garland) at 25; ERCOT's Initial Post-Hearing Brief at 5.

⁴ Commission Staff's Initial Brief at 11-14 (ERCOT should be required to perform further actions before the SCT Project is energized as conditions to the interconnection); TCPA's Initial Brief at 6 (ERCOT should be directed to adopt and implement changes to market rules as a condition to the interconnection); Initial Brief of Southern Cross at 5 (ERCOT should be required to perform actions by a date certain, prior to energization of the SCT Project); Initial Brief of Garland at 25-26 (adopting Southern Cross's positions); ERCOT's Initial Post-Hearing Brief at 5-9 (Commission should require ERCOT to perform further actions, as set forth in ordering paragraphs in the final order in this docket).

A. Reply to Southern Cross

1. Transmission Congestion Management

Although Southern Cross agrees that “ERCOT should evaluate, and if appropriate, implement a Congestion Management Plan (CMP), including the use of a Special Protection Scheme (SPS) to address congestion issues” near the SCT Project, Southern Cross asserts that implementation of a CMP and/or SPS “should not be a condition of the order in this case.”⁵ Southern Cross instead suggests the “exploration of a CMP/SPS for the affected area in East Texas through the appropriate ERCOT stakeholder process is appropriate.”⁶ Southern Cross opposes the imposition of a CMP as a condition in this case on the basis that the precise details of a CMP remain to be worked out in the future.⁷

The issue to be decided at this stage, however, is not how to craft the specifics of a CMP and/or SPS, but whether the public interest will be served by the approval of an appropriate CMP and/or SPS to address the congestion that is attributable to the interconnection of the SCT Project. As Southern Cross concedes, “an appropriate CMP would benefit ERCOT consumers, those resources adversely impacted by the constraints, and the tie line importers.”⁸ Southern Cross further acknowledges that an SPS allows for “additional generation and a more complete use of the transmission system,”⁹ which is “in the public interest.”¹⁰ In the face of record evidence establishing that ERCOT’s existing transmission capacity is inadequate to accommodate current generation in the area of the SCT Project and imports over the tie line, it would be imprudent to approve interconnection of the SCT Project without taking appropriate measures to address these transmission capacity problems at the outset. Therefore, the Commission should order that ERCOT must develop and implement an appropriate plan to address congestion before the SCT Project is energized as a reasonable condition pursuant to PURA § 37.051(c-2).

⁵ Initial Brief of Southern Cross at 5.

⁶ *Id.* at 17.

⁷ *Id.* at 29.

⁸ *Id.* at 29.

⁹ *Id.* at 29.

¹⁰ Tr. 144:15-19 (Gray Cross) (June 1, 2016).

2. Price Formation Issues

As with transmission congestion management, Southern Cross supports the concept of addressing the issue of price formation, including urging the Commission to direct ERCOT to make necessary revisions to the ERCOT Nodal Protocols, but does not support directing ERCOT to resolve this issue as a condition in this case.¹¹ But as with addressing congestion management that will specifically be caused *by this Project*, it is necessary and appropriate for the Commission to address price reversal and price suppression that will specifically be caused *by this Project* as a condition of approval in this proceeding, in direct compliance with the scheme established by the Legislature. Southern Cross's global assertion that the Commission should not impose conditions whenever there are "technical issues" to be worked out in the stakeholder process is misguided and inconsistent with the plain language of PURA. As Commission Staff correctly points out, the novel operational issues introduced by the interconnection of the SCT Project should be addressed in this docket to the extent that they impact the public interest.¹²

Therefore, the Commission should order that ERCOT must mitigate price suppression created by ERCOT-directed imports or curtailments of exports over DC Ties as a reasonable condition pursuant to PURA § 37.051(c-2).

3. Transmission Planning

In addition to imposing these two conditions, which are necessary to protect the public interest, the Commission should also provide specific policy guidance with regard to issues that ERCOT stakeholder groups will need to resolve in order to integrate the SCT Project into ERCOT operations and planning. It is important to keep in mind that the SCT Project represents a major departure from how DC ties have historically been owned and operated in ERCOT, as Luminant detailed in its Initial Brief.¹³ One area in which the unique characteristics of the SCT Project requires particular consideration is transmission planning. The record evidence demonstrates that the current assumptions and methods for identifying economic-driven projects

¹¹ Initial Brief of Southern Cross at 16.

¹² Commission Staff's Initial Brief (Redacted) at 7.

¹³ Luminant's Initial Post-Hearing Brief at 4-5.

may not be appropriate or sufficient to identify congestion resulting from the SCT Project.¹⁴ And what little evidence is in the record regarding whether system upgrades might be needed to support exports over the SCT Project in the future is stale and based on assumptions that are no longer relevant.¹⁵ The Commission should decline Southern Cross's invitation to punt on these issues, which are squarely raised by the proposal to interconnect the first-of-its-kind SCT Project, and instead direct ERCOT to develop a method to specifically identify congestion that is caused by imports and exports across the SCT Project and determine how to address such congestion in ERCOT's transmission planning process.

4. Market Participant Agreement

Finally, a modification to Southern Cross's proposed condition regarding execution of the ERCOT Market Participant Agreement may be warranted. Southern Cross proposes language that "Garland may not interconnect the SCT DC Tie to the ERCOT transmission grid until SCT has executed an ERCOT Standard Form Market Participant Agreement (SMFPA) [*sic*] as an Independent DC Tie Operator."¹⁶ If the Commission determines that Southern Cross's proposed "Independent DC Tie Operator" market participant category is not the appropriate designation for this new market participant type or that the determination of the specific market participant type should be addressed in the ERCOT stakeholder process, the language of this condition would need to be modified by deleting the phrase "as an Independent DC Tie Operator," while still conditioning interconnection of the SCT DC Tie on Southern Cross executing the Market Participant Agreement with ERCOT.

B. Reply to Commission Staff

Commission Staff discusses a number of issues that the Commission should address in connection with its approval of the interconnection of the SCT Project, including price formation,¹⁷ congestion management,¹⁸ and cost allocation for transmission upgrades to facilitate

¹⁴ Direct Testimony of Amanda J. Frazier, Luminant Ex. 2 at 7:10-8:20; Direct Testimony of Warren Lasher, ERCOT Ex. 1 at 10:18-22.

¹⁵ See Rebuttal Testimony of Stan Gray, Southern Cross Ex. 10, Exhibit SG-1-R. The Oncor study on which Southern Cross relies in suggesting that "the evidence does not show that transmission upgrades are necessary to facilitate exports over the SCT DC Tie" was performed in 2013 and did not, in fact, study a 2,000 (or 2,100) MW export case, in line with Southern Cross's current proposal. See *id.* at 1-2, 8.

¹⁶ Initial Brief of Southern Cross at 4.

¹⁷ Commission Staff's Initial Brief (Redacted) at 15.

imports and exports over the tie.¹⁹ Luminant agrees with Commission Staff that these are important issues that implicate the public interest and must therefore be addressed before the SCT Project is energized. However, Luminant disagrees with Commission Staff's recommendation that all these issues require further study by ERCOT. The record evidence is more than sufficient (as described in detail in Luminant's Initial Brief²⁰) to support the Commission ordering conditions in this proceeding, consistent with the framework established under PURA § 37.051(c-2), to mitigate both price formation issues and transmission congestion that would be created, or exacerbated, by interconnection of the SCT Project as discussed in Section II(A)(1) and (2) of this reply brief. As the statute plainly states, this is the proceeding in which the Commission is authorized to impose reasonable conditions to protect the public interest, which should be imposed without qualification. Further study is not an appropriate or necessary prerequisite to the Commission's imposition of these conditions, as a matter of policy, on the interconnection of the SCT Project. That said, Luminant agrees that the specific protocol changes necessary to address the price formation issues and the details of a specific plan to address congestion resulting from the SCT Project should be determined in the ERCOT stakeholder process.

C. Reply to ERCOT

ERCOT acknowledges that at least some of the issues pertaining to the SCT Project must be resolved before the tie is permitted to interconnect,²¹ but suggests that "a Commission rulemaking or the ERCOT stakeholder process would provide a more suitable forum than this CCN proceeding for resolving most, if not all, of the many complex policy questions raised in the Preliminary Order."²² Accordingly, ERCOT asks the Commission to refrain from "fully deciding any of the 'ERCOT issues'" and instead "impose reasonable conditions on the approval of the Garland CCN by simply identifying, without limitation, the set of issues that must eventually be resolved either before the Commission or in the ERCOT stakeholder process."²³ In

¹⁸ *Id.* at 16-17.

¹⁹ *Id.*

²⁰ Luminant's Initial Post-Hearing Brief at 6-9.

²¹ ERCOT's Initial Post-Hearing Brief at 1.

²² *Id.* at 3.

²³ *Id.*

ERCOT's view, "the Commission's only obligation in this proceeding is to grant Garland a CCN, subject to those conditions" ordered under PURA § 37.051(c-2).²⁴

As a general matter, to the extent ERCOT is suggesting that the Commission should decline to impose conditions that touch on the subject matter of the "ERCOT issues" listed in the Preliminary Order, this recommendation is directly at odds with the Legislature's mandate to the Commission in enacting PURA § 37.051(c-2).²⁵ The Legislature directed that the application for a CCN to interconnect the SCT Project—this very proceeding—is the forum in which the Commission must evaluate the impact of the SCT Project on the public interest and prescribe reasonable conditions necessary to protect the public interest. The Legislature was explicit in acknowledging that issues such as "price formation, resource dispatch practices, reliability, the quantity and cost of ancillary services, and resource adequacy," as they pertain to DC ties, both impact the public interest and are the appropriate focus of the Commission's formal assessment of conditions in this proceeding.²⁶ Imposing conditions that address these impacts and are aimed at furthering the Commission's broader statutory mandates to safeguard reliability and the competitiveness of the market is a reasonable and appropriate way to ensure that the SCT Project is consistent with the public interest (and not inconsistent with the FERC order), as PURA requires.²⁷

With regard to the specific condition that the Commission should direct ERCOT to develop an appropriate plan to address congestion resulting from the SCT Project, this recommendation is not, as ERCOT asserts, "premature."²⁸ Nor does the imposition of this condition raise any broader policy questions that require input from other interested parties.²⁹ It is simply an evidentiary question—specific to the SCT Project and the existing capacity of the transmission system in the vicinity of the SCT Project—that needs to be addressed by specific ordering language from the Commission directing ERCOT to develop and implement an appropriate plan (whether it involves a CMP, an SPS, or some combination thereof).

²⁴ *Id.*

²⁵ See Senate Research Center, Bill Analysis, S.B. 933, 84th Leg., R.S. (July 1, 2015).

²⁶ *Id.*

²⁷ See PURA §§ 39.001, 39.151.

²⁸ ERCOT's Initial Post-Hearing Brief at 7.

²⁹ *Id.* at 1.

III. CONCLUSION AND PRAYER

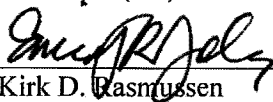
Luminant respectfully requests that Garland's application be approved subject to the following reasonable conditions and ordering language being included in the Ordering Paragraphs of the final order issued in this docket:

1. As a condition of the interconnection of the Southern Cross DC Tie, ERCOT shall mitigate price reversal and suppression resulting from ERCOT-directed imports and curtailment of exports over DC ties during an Energy Emergency Alert (EEA).
2. As a condition of the interconnection of the Southern Cross DC Tie, ERCOT shall develop and implement an appropriate congestion management plan, potentially including a Special Protection System, that functions to control (directly or indirectly) the generation and transmission elements in the area of the Southern Cross DC Tie, including the tie itself.
3. ERCOT shall develop a method to specifically identify congestion that is caused by imports and exports across the SCT Project and determine how to address such congestion in ERCOT's transmission planning process.

Respectfully submitted,

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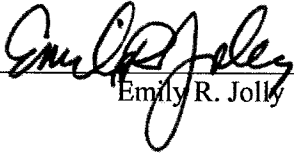
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**ATTORNEYS FOR LUMINANT
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LUMINANT ENERGY COMPANY LLC**

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing has been served on all parties of record on this, 17th day of June, 2016, in accordance with SOAH Order No. 3 issued in this docket.


Emily R. Jolly