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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 EXCEPTIONS TO THE PROPOSAL FOR DECISION**

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

COME NOW Luminant Generation Company LLC and Luminant Energy Company LLC (collectively, Luminant) and file these Exceptions to the Proposal for Decision ("PFD").

I. INTRODUCTION

Luminant supports the PFD's recommended inclusion of a number of reasonable conditions to the approval of the City of Garland's application for a Certificate of Convenience and Necessity (CCN) and the interconnection of the proposed Southern Cross Transmission (SCT) Project as necessary to protect the public interest, pursuant to Sections 37.051(c-1) and (c-2) of the Public Utility Regulatory Act (PURA).¹ The Administrative Law Judges (ALJs) considered and analyzed several of the reasonable conditions proposed by the parties; however, with regard to certain proposed conditions that they characterize as implicating "policy matters," the ALJs recommend that those issues be addressed through the ERCOT stakeholder process or in a rulemaking proceeding.

While this case does involve a number of policy-related questions that may ultimately be resolved through broader stakeholder engagement, it is critical that the Commission consider the specific evidence about the direct impacts posed by the SCT Project in determining what conditions are necessary to protect the public interest, which the Legislature has explicitly instructed the Commission to address in this CCN proceeding. In particular, the public interest

¹ TEX. UTIL. CODE ANN. §§ 11.001-66.016 (West 2007 & Supp. 2015) (PURA).

compels inclusion of two additional reasonable conclusions that were not proposed in the PFD addressing price formation issues and transmission congestion management.

II. EXCEPTIONS TO THE PFD

Exceptions to Section V.F (ERCOT Issues - Preliminary Order Issue No. 4)

The PFD includes several reasonable conditions associated with the approval of the SCT Project in this proceeding. Luminant supports the conditions recommended in the PFD. In addition, the public interest compels inclusion of two additional reasonable conclusions that were not proposed in the PFD addressing price formation and transmission congestion management.

1. Price Formation Issues

The PFD recognizes that “issues such as price formation” were identified by the Legislature in Senate Bill 933 as issues that must be addressed through the imposition of reasonable conditions on the approval of Garland’s application in order to protect the public interest.² The PFD does not directly address, however, the parties’ evidence or arguments regarding how the SCT Project will impact price formation in ERCOT, or how the issue of price reversal should be addressed through a reasonable condition as it pertains to the SCT Project.

The record evidence overwhelmingly establishes that the SCT Project is likely to impact price formation in ERCOT, and thus it is necessary and appropriate for the Commission to condition its approval of the application in this case on the price formation issue being addressed before the SCT Project is energized. As the evidence demonstrates, price formation issues arise from ERCOT’s ability to take out-of-market reliability actions—curtailing exports and requesting imports—over DC Ties during Energy Emergency Alert (EEA) conditions.³ These actions by ERCOT will have price reversal and suppression impacts during emergency conditions, when scarcity price signals are most critical for the proper operation of and appropriate long-term investment decisions in the ERCOT energy-only market.⁴

² PFD at 34.

³ Direct Testimony of Dr. Shams Siddiqi, Luminant Ex. 1 at 6:24-26, 8:5-18 (citing ERCOT Nodal Protocols Section 6.5.9.4).

⁴ *Id.* at 8:25-29.

The record evidence in this case establishes that “a very real chance exists that the ERCOT market will experience real-time price reversal or witness the suppression of scarcity price formation precisely during the scarcity conditions in which the ERCOT energy-only market design depends upon scarcity pricing.”⁵ While price reversal and price suppression could occur any time that ERCOT takes such out-of-market reliability actions with respect to the existing DC Ties, the evidence shows that this issue is significantly exacerbated by the much larger scale of the SCT Project—which received Federal Energy Regulatory Commission (FERC) orders to interconnect in ERCOT and provide transmission service for “up to” 3,000 megawatts (MW), and is presently being designed to transfer approximately 2,100 MW in either direction.⁶ Notably, the capacity of *all* of the existing ERCOT DC ties combined is only 1,255 MW, with individual ties ranging from just 35 to 600 MW at varied geographic locations throughout ERCOT.⁷

Given the significant public interest impacts associated with price formation in an energy-only market like ERCOT, the record evidence supports inclusion of a specific condition in this proceeding to ameliorate price formation impacts associated with the SCT Project before it is energized. Specifically, it is in the public interest for the Commission in this proceeding to direct amendment of the ERCOT Protocols in a manner similar to the price adder calculation adopted in ERCOT Nodal Protocol Revision Request (NPRR) 626.

NPRR 626 was adopted by the ERCOT Board in 2014 to “meet[] the PUCT’s objective of mitigating price reversal and suppression” seen during other out-of-market reliability actions by ERCOT.⁸ Specifically, NPRR 626 was implemented to mitigate price reversal and price suppression associated with the deployment of certain resources and other out-of-market reliability deployments that inappropriately reduce the total Real-Time price in times of scarcity. The same approach and price adder calculation put in place by NPRR 626 are reasonable and

⁵ Rebuttal Testimony of Mark Bruce, Southern Cross Ex. 9 at 24:20-23.

⁶ Direct Testimony of David Parquet, Southern Cross Ex. 1 at 3:18-22.

⁷ Direct Testimony of Dan Woodfin, ERCOT Ex. 2 at 6:19-23.

⁸ Luminant Ex. 1 at 9:3-8 (quoting NPRR 626 Board Report).

necessary means to mitigate price reversal and suppression for ERCOT-directed tie line export curtailment and requests for imports during an EEA.⁹

For the reasons set forth above, an order approving the SCT Project should include the following reasonable condition:

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.

2. Transmission Congestion Management

In addition, the record evidence establishes that transmission congestion created by power flows over the SCT Project will negatively impact the public interest, and therefore conditions are appropriately imposed to ensure that such congestion is prevented or mitigated. The evidence in this case supports the inclusion of specific findings and conclusions ordering ERCOT to implement a Congestion Management Plan (CMP), potentially including a Special Protection System (SPS), as a condition to interconnecting the SCT Project—a more feasible and cost-effective alternative than determining how to dispatch all DC Ties in Security Constrained Economic Dispatch (SCED). In other words, while the issue of whether and how to dispatch DC Ties in SCED is, as a general matter, an issue that could be addressed through broader stakeholder discussion, the evidence supports ordering implementation of a CMP and/or SPS as a nearer-term solution to the problem posed by this particular DC Tie in this specific geographic location, unless and until the larger policy issues around DC Ties are worked out through the ERCOT stakeholder process.

The PFD examines the evidence that was put forward in this case regarding the existing transmission system's capability to support imports and exports over the SCT Project, ultimately concluding that "some degree of transmission upgrades" will be necessary to accommodate SCT DC Tie.¹⁰ As a means of addressing the transmission congestion that will be caused or exacerbated by flows across the SCT Project, the PFD recommends imposing a requirement that ERCOT,

⁹ *Id.* at 9:9-19.

¹⁰ PFD at 45.

through its stakeholder process and prior to energization of the SCT DC Tie and the Garland Project: (a) study and determine whether some or all DC ties should be economically dispatched or whether implementation of a CMP or SPS would more reliably and cost-effectively manage congestion caused by DC tie flows; and (b) implement any necessary revisions to its protocols and standards as appropriate.¹¹

Luminant fully supports the notion reflected in this proposed condition that the issue of transmission congestion caused or exacerbated by the SCT Project must be addressed and resolved before the SCT Project is energized. And while it may ultimately be decided through the ERCOT stakeholder process that DC Ties can be dispatched through SCED in the future (they are not dispatched in SCED today¹²), another feasible, nearer term solution supported by the evidence in this case is to condition interconnection of the SCT Project on the development and implementation of an appropriate CMP, potentially including an SPS.

While the specific parameters of an appropriate CMP can be developed through the ERCOT stakeholder process, the general structure of the plan would be to maximize the use of the existing transmission facilities by allowing for SCED “to operate with additional transmission capacity,” rather than dispatching less than the complete physical capability of a transmission element in order to preserve the system in the event a contingency occurs.¹³ Under this alternative, a CMP and/or SPS would remain in place unless and until transmission system upgrades within ERCOT are constructed that alleviate the constraints, or until it can be determined whether and how DC Ties can be dispatched in SCED.

In order to maximize the use of the existing transmission facilities, and as a result of the direct impacts to the existing transmission facilities that will result from operation of the 2,100+ MW SCT Project that will not initially be dispatched in SCED, public policy compels modification of the PFD to include the following conditional language associated with approval of the SCT Project:

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

¹¹ *Id.* at 50, 103.

¹² Direct Testimony of Dan Woodfin, ERCOT Ex. 2 at 7:14; Luminant Ex. 1 at 10:20-21.

¹³ Tr. 246:13-247:1 (Frazier Cross) (June 1, 2016).

indirectly) the generation and transmission elements in the area of the Southern Cross DC Tie, including the tie itself.

III. OTHER CORRECTIONS TO THE PFD

Luminant submits the following corrections to Section V.F and the corresponding ordering language of the PFD:

- In response to the statement, “Mr. Griffey found common ground with Luminant witness Ms. Frazier, in that both agreed that any costs for transmission upgrades to the SCT DC Tie or the Garland Project should be borne by SCT and the exporters of power from ERCOT, and that the Commission should make a general finding to that effect,”¹⁴ Luminant clarifies that Ms. Frazier testified that only the cost of upgrades related to exports should be borne by SCT and exporters of power from ERCOT.¹⁵
- The citation to the record on page 59, footnote 214, should omit reference to “Tr. 244-248.
- The word “generator” should be replaced with the word “load” in the second sentence of the first full paragraph on page 61, so that it reads: “In that case, the loss of the SCT DC Tie would be equivalent to the loss of an ERCOT load of the same size.”
- The phrase “and loads” should be added to the second full sentence on page 66, so that it reads: “As is apparent from the review of the evidence, the SCT DC Tie is a unique entity that shares elements of standard ERCOT TSPs and ERCOT generators and loads.”

Finally, Ordering Paragraph 23 on page 103 appears to mistakenly use the word “maintain” in place of “manage,” in conflict with the “Analysis and Recommendation” regarding the discussion of transmission congestion management on pages 49-50. Luminant believes the ordering language should be revised to read:

23. ERCOT must, through its stakeholder process and prior to energization of the SCT DC Tie and the Garland Project, study and determine what transmission

¹⁴ PFD at 43.

¹⁵ Direct Testimony of Amanda J. Frazier, Luminant Ex. 2 at 8:11-17.

upgrades, if any, are necessary to manage congestion resulting from power flows over the SCT DC Tie.

IV. CONCLUSION AND PRAYER

Luminant respectfully requests that the Commission grant its Exceptions and order that, as conditions of the interconnection of the SCT Project, (1) ERCOT shall mitigate price reversal and suppression resulting from ERCOT-directed imports and curtailment of exports over DC ties during an Energy Emergency Alert, and (2) 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.

Respectfully submitted,

ENOCH KEVER PLLC
600 Congress Ave., Suite 2800
Austin, Texas 78701
512-615-1200 (phone)
512-615-1198 (fax)

By: *Emily Jolly /ln with permission*
Kirk D. Rasmussen
State Bar No. 24013374
krasmussen@enochkever.com
Emily R. Jolly
State Bar No. 24057022
ejolly@enochkever.com

**ATTORNEYS FOR LUMINANT
GENERATION COMPANY LLC AND
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, 4th day of August, 2016, in accordance with SOAH Order No. 3 issued in this docket.

Emily Jolly /ln
Emily R. Jolly *with permission*