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APPLICATION OF THE CITY OF	§	
GARLAND, TEXAS, FOR A	§	BEFORE THE
CERTIFICATE OF CONVENIENCE	§	
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	§	

**ERCOT'S EXCEPTIONS TO THE PROPOSAL FOR DECISION**

Electric Reliability Council of Texas, Inc. (ERCOT) submits these limited Exceptions to the Proposal for Decision (PFD) issued by the State Office of Administrative Hearings (SOAH) Administrative Law Judges (ALJs) on July 27, 2016. ERCOT appreciates the ALJs' thoughtful consideration of the evidence and arguments concerning the many issues in this case and generally supports the decision proposed. ERCOT offers these limited exceptions requesting minor revisions to the PFD on several important issues.

**I. Phrasing of the condition that certain steps be taken "prior to energization of the SCT DC Tie and the Garland Project"**

A number of the PFD's proposed ordering paragraphs suggest that certain measures should be taken "prior to energization of the SCT DC Tie and the Garland Project."<sup>1</sup> ERCOT reads this language to require that these issues be resolved as a condition for ERCOT to allow the interconnection of the SCT DC Tie, which is consistent with the language in ERCOT's proposed ordering paragraphs ("Before it may allow the interconnection of the Southern Cross DC tie, ERCOT must . . ."). However, the PFD's phrasing is susceptible to the interpretation that these issues need not be resolved *as a condition* for allowing interconnection (or energization) of the tie, but rather, that ERCOT must instead resolve these issues before the date by which SCT intends to (or does) energize its facility. The latter construction is concerning because it could potentially require ERCOT to marshal its resources to adopt some measure in order to meet Southern Cross's idiosyncratic development timeline.

<sup>1</sup> PFD at 101-104, Ordering Paragraphs ("OP") 13, 14, 15, 16, 22, 23, 24, 25, 26.

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ERCOT's ultimate responsibility is to ensure reliability, and while ERCOT will move forward expeditiously with any issues the Commission may require it to address, ERCOT cannot jeopardize reliability to accommodate a market participant's desired development timeframe. For this reason, ERCOT would suggest that, in the interest of clarity, the Commission either (1) adopt the phrasing of the condition language in ERCOT's proposed ordering paragraphs or (2) explicitly state in its order that these Ordering Paragraphs should not be construed to impose a deadline by which ERCOT must develop and implement a solution to any of these issues.

## **II. FERC jurisdiction**

ERCOT has no concern with the ALJs' conclusion that conditions should be imposed to ensure the interconnection and operation of the Southern Cross DC tie and the associated Garland Project do not result in an extension of the jurisdiction of the Federal Energy Regulatory Commission (FERC) over ERCOT and its members. However, ERCOT notes that it is already subject to FERC's rules and jurisdiction for certain limited purposes (e.g., Section 215 of the Federal Power Act (FPA)). Therefore, for the sake of clarity, ERCOT suggests that the PFD be amended to more specifically prohibit those particular actions or omissions that might result in the application of FERC's *plenary* jurisdiction over ERCOT or its members. In particular, ERCOT recommends adding the word "plenary" before the word "jurisdiction" in findings of fact 122, 124, and 125. The addition of the word "plenary" would be consistent with the phrasing in the ERCOT Bylaws as well as the relevant Interconnection Agreements filed by the parties in FERC Docket TX11-1-001. For these same reasons, ERCOT also recommends changing the term "FERC rules" to "FERC's plenary jurisdiction" in Ordering Paragraph 18.

## **III. Costs of facilities needed to accommodate exports over DC ties**

One of the issues identified by the Public Utility Commission ("Commission") in its Preliminary Order was "[s]hould ERCOT ratepayers be financially responsible for transmission upgrades that are necessary to facilitate exports over DC ties, given that those improvements are made only to serve load in non-ERCOT areas?"<sup>2</sup> ERCOT has not taken any position on this issue because it is a question of cost allocation. However, the body of the PFD reasons that, before the question of cost allocation can be determined, ERCOT should first conduct a study to assess

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<sup>2</sup> Preliminary Order at 3.

whether “ERCOT ratepayers will derive any measurable benefits” from the proposed facilities, and if so, “whether th[ose] benefits are substantial enough” to warrant socializing those costs, rather than directly assigning them.<sup>3</sup> Although the Ordering Paragraphs do not appear to include any mandate for such a study—whether as a condition for requiring a particular cost allocation or otherwise—ERCOT excepts to this proposal in concept.

As ERCOT witness Warren Lasher testified, ERCOT has not yet determined the appropriate methodology for including new DC ties in the planning models.<sup>4</sup> Until this methodology has been determined, ERCOT is unable to formulate any predictions about future flows across the Southern Cross tie, or whether these flows would inure to the benefit of ratepayers—however that benefit should be determined. ERCOT notes that conditioning the determination of the cost allocation for certain upgrades upon a prediction of future transactions over the DC ties may be problematic because the required prediction is subject to a potentially significant margin of error, as those transactions will be driven by the relative prices in the two connected markets in those future years. The Commission should consider whether it is essential for ERCOT to provide some prediction of these flows before it can be decided how the costs of any eventual upgrades should be allocated (if the Commission determines that the cost-allocation issue should be addressed at all).

ERCOT also excepts to Finding of Fact 58, which states: “Whether such transmission upgrades are necessary, and if so, *who should pay for them*, is best left to the ERCOT stakeholder process . . .” (emphasis added).<sup>5</sup> Whether certain costs should be directly assigned or socialized is a fundamental policy matter which ERCOT expects the Commission would prefer to address, rather than referring to the ERCOT stakeholder process. For this reason, ERCOT recommends deleting the language italicized above in Finding of Fact 58. ERCOT has no concern with the remainder of the proposed finding.

Finally, Ordering Paragraph 23, addressing the need for additional studies, appears to require some correction. As written, the paragraph states that “ERCOT must, through its

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<sup>3</sup> PFD at 45; 103, OP 23. ERCOT notes that the PFD includes no findings, conclusions, or ordering paragraphs specifically requiring such a benefits assessment, although it does include findings and an ordering paragraph requiring a study of the upgrades needed to support exports. See Finding of Fact 55-62; Ordering Paragraph 23.

<sup>4</sup> ERCOT Ex. 1, Direct Testimony of Warren Lasher at 5:7-11:7.

<sup>5</sup> PFD at 82, Finding of Fact (FOF) 58.

stakeholder process and prior to energization of the SCT DC tie and the Garland Project, study and determine what transmission upgrades, if any, are necessary to *maintain congestion resulting from power flows over the SCT DC Tie.*”<sup>6</sup> While ERCOT questions whether such a study is necessary and cautions that such a study (however useful) cannot be conducted before developing an appropriate methodology, ERCOT assumes that the ALJs intended this ordering paragraph to refer to those upgrades necessary to achieve exports over the DC ties (consistent with the related finding of fact<sup>7</sup>), and not those upgrades necessary to “maintain congestion resulting from power flows over the SCT DC Tie.” Of course, transmission upgrades are developed to alleviate, rather than maintain, potential congestion. This correction is necessary to ensure this requirement can be implemented.

#### **IV. Managing congestion**

ERCOT supports the ALJs’ determination that congestion caused by the Southern Cross DC tie must be addressed in some way. However, ERCOT excepts to Finding of Fact 68 and Ordering Paragraph 24, which would require ERCOT to manage this congestion using only one of the following two options: (1) economic dispatch of the DC tie, or (2) development of a Constraint Management Plan (or Special Protection Scheme (SPS)). ERCOT fully agrees these methods should be considered, but as the ALJs implicitly recognize in proposed Finding of Fact 67, it is also possible that ERCOT or its stakeholders may determine that some other means of managing this congestion is appropriate, potentially including the current approach of relying on price signals to discourage DC tie schedules that cause congestion and ordering curtailments if and when reliability limits may be violated. It is also possible that ERCOT or its stakeholders could determine that there is simply no feasible means of reliably managing this congestion at all. The Ordering Paragraphs should allow ERCOT to reach these other conclusions, and perhaps others. For this reason, ERCOT would recommend the following language from its proposed ordering paragraph is most appropriate:

Before it may allow the interconnection of the Southern Cross DC tie, ERCOT must determine an appropriate means of managing congestion that may arise from the interconnection of the Southern Cross DC tie.

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<sup>6</sup> PFD at 103, OP 23.

<sup>7</sup> PFD at 82, FOF 60.

ERCOT also recommends similar changes to Finding of Fact 68.

## **V. Primary Frequency Response and Voltage Support Service**

ERCOT generally agrees with the PFD's analysis and recommendations regarding the issues of Primary Frequency Response (PFR) and Voltage Support Service (VSS). ERCOT's only concern is with the proposed requirement to conduct a study for how these services may be provided by a DC tie.<sup>8</sup> While determining whether the DC tie should provide these services does require some technical expertise, it is unclear to ERCOT at this time whether a formal study would be useful in deciding this question, which is largely a policy issue. ERCOT recommends that the findings and ordering paragraphs be modified to provide ERCOT latitude in determining whether such a study should be performed. ERCOT's proposed Ordering Paragraph 9 more directly captures the essential issue:

ERCOT shall determine whether Southern Cross, or any entity scheduling a transaction over the Southern Cross DC tie, should be required to provide or procure Voltage Support Service or Primary Frequency Response, or the technical equivalent of either service. ERCOT shall adopt and implement any standard revisions necessary to effectuate any such requirement.<sup>9</sup>

If the Commission does not adopt ERCOT's proposed finding, ERCOT suggests deleting the words "study and" in Ordering Paragraph 25. ERCOT also suggests modifying Findings of Fact 104 through 107 to remove language requiring a study as to whether these services "can" be provided to require more broadly a determination as to whether they *should* be provided in some way (which naturally includes a determination—formal or informal—whether these services may feasibly be provided in some manner or another).

## **VI. Costs of incremental ancillary services required**

ERCOT wholly supports the PFD's recommendation that ERCOT should determine what additional ancillary services may be required to accommodate the SCT DC Tie. However, ERCOT questions the PFD's implied recommendation that ERCOT should determine how these costs should be allocated, as the Commission may agree that ERCOT is not generally the most suitable forum for deciding fundamental matters of cost allocation.<sup>10</sup> For this reason, ERCOT disagrees

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<sup>8</sup> See PFD at 86, FOF 104-107; 103, OP 25.

<sup>9</sup> ERCOT Initial Brief at 13, OP 9.

<sup>10</sup> PFD at 65

with the PFD to the extent it would require ERCOT to decide how these costs should be allocated. ERCOT notes that the PFD does not include an ordering paragraph requiring ERCOT to decide this cost allocation, but this determination is implicit in the PFD's suggestion that ERCOT would be a suitable forum for studying "whether the ancillary services should be calculated *and assessed* differently from current ERCOT practice" (emphasis added)<sup>11</sup> and in Finding of Fact 117, to the extent it proposes to refer the "current ERCOT cost-recovery practice" to "the [ERCOT] stakeholder process."<sup>12</sup>

ERCOT also suggests striking Finding of Fact 115, as it assumes that any additional ancillary services might be required to be provided over the DC tie. ERCOT knows of no reason for such a limitation,<sup>13</sup> and any additional Ancillary Services needed could—and presumably would be—procured by ERCOT through the traditional DAM process.

## VII. Conclusion

For the above-stated reasons, ERCOT requests that the Commission adopt the PFD with the modifications described herein.

Respectfully submitted,



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<sup>11</sup> PFD at 65.

<sup>12</sup> PFD at 87, FOF 117.

<sup>13</sup> Some testimony did address limitations on providing PFR over the ties, but PFR is not an Ancillary Service.

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ATTORNEYS FOR ELECTRIC  
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#### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of this document was served on all parties of record on August 4, 2016, by posting on the PUC Interchange or by first class U.S. mail in accordance with the provisions regarding service in SOAH Order No. 3 in this proceeding.

A handwritten signature in black ink, appearing to read "J. N. Littlefield", is written over a horizontal line.