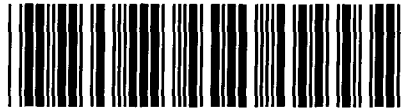




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APPLICATION OF CITY OF GARLAND, §
TEXAS, TO AMEND A CERTIFICATE §
OF CONVENIENCE AND NECESSITY §
FOR THE PROPOSED RUSK TO §
PANOLA DOUBLE-CIRCUIT 345-KV §
TRANSMISSION LINE IN RUSK AND §
PANOLA COUNTIES, TEXAS §

BEFORE THE
PUBLIC UTILITY COMMISSION OF
TEXAS

**SUPPLEMENTAL BRIEF OF LUMINANT GENERATION COMPANY LLC
AND LUMINANT ENERGY COMPANY LLC**

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

COME NOW Luminant Generation Company LLC and Luminant Energy Company LLC (collectively, Luminant) and submit this supplemental brief in response to the Order Requesting Briefing issued following the Commissioners' consideration of the Proposal for Decision (PFD) at the open meeting on August 18, 2016. Pursuant to the Order, this brief is timely filed on August 22, 2016.

I. BACKGROUND AND SUMMARY

Parties were requested to respond to a proposal that the Southern Cross DC Tie be ordered to operate at less than 1,375 MW—ERCOT's current most severe single contingency (MSSC)—until ERCOT completes any required studies and implements any new standards and protocols.¹ Luminant does not support operating the Southern Cross DC Tie on such an 'interim' basis, prior to the full determination of all the important issues that must be resolved before the Southern Cross DC Tie can be reliably interconnected to the ERCOT transmission grid, as set forth in the recommendations in the PFD.

Many of the conditions recommended in the PFD and in Chairman Nelson's memo are warranted regardless of the size of the Southern Cross DC Tie. Limiting imports and exports on the Southern Cross DC Tie to the MSSC would likely temporarily address the question of whether additional Responsive Reserve Service (RRS) needs to be purchased to protect against

¹ Order Requesting Briefing (Aug. 18, 2016).

unexpected loss of the DC Tie, but would not address other important questions, such as whether the transmission system in the area of the Southern Cross DC Tie is adequate to accommodate 1,375 MW of imports and exports, whether the system needs primary frequency response or voltage support from the Southern Cross DC Tie, and how price formation should be addressed if ERCOT takes out-of-market actions directing imports or curtailing exports over the tie during an Energy Emergency Alert (EEA). Accordingly, there would be a direct, negative impact on the public interest, regardless of the level of import or export authorized for the Southern Cross DC Tie, if these reasonable conditions are not addressed prior to energization of the tie.

If, however, the Southern Cross DC Tie is permitted to interconnect and operate on an interim basis, before the necessary studies are conducted and any resulting rule and protocol changes are implemented, Luminant recommends that certain protections be put in place to ensure that this interim solution is reasonable. Specifically, ERCOT should be directed to study and identify the level at which power flows across the Southern Cross DC Tie can be accommodated without causing thermal overloads on the current transmission system, and without redispatching existing thermal generation to resolve such overloads. If that level is less than 1,375 MW, then the Commission should either restrict operation of the Southern Cross DC Tie to that lesser amount, or should direct ERCOT to implement a constraint management plan (CMP), potentially including a Special Protection System (SPS), and restrict operation of the Southern Cross DC Tie to a level of power flow that is the lesser of 1,375 MW or the amount that can reliably be delivered with the CMP or SPS in place.

II. DISCUSSION

As the PFD thoroughly examines, and Chairman Nelson's August 17 memorandum underscores, there are a range of public interest considerations that require the imposition of reasonable conditions on the proposed interconnection of the Southern Cross DC Tie. As a means of addressing those considerations, many of which remain to be worked out through the ERCOT stakeholder process, the Order Requesting Briefing presents the question of whether the Southern Cross DC Tie could operate at only 1,375 MW—rather than the 2,100 MW proposed by Southern Cross—until the appropriate studies are conducted and any new standards and protocols are developed and in place.

Because many, if not all, of the risks posed by the Southern Cross DC Tie exist regardless of whether it operates at the full 3,000 MW level approved under the FERC interconnection order,² or at only the current MSSC level of 1,375 MW. Luminant opposes allowing the tie to interconnect and be energized on an interim basis before certain threshold determinations are made and appropriate safeguards are in place. A number of conditions necessary to protect the public interest are inextricably linked to the development and implementation of the studies, rule changes, and policy determinations laid out in the PFD. Thus, to meaningfully protect the public interest, the necessary studies must be completed, and the necessary rules and protocols must be developed and implemented, before the Southern Cross DC Tie is permitted to interconnect and energize.

Of particular importance to those that operate in the wholesale market, issues such as price suppression and price reversal that will arise upon energization of the Southern Cross DC Tie—regardless of the specific import or export level—must be resolved before the Southern Cross DC Tie is energized in order to preserve critical features of the ERCOT energy-only market design. Therefore, Luminant urges the Commission to require implementation of all of the reasonable conditions of interconnecting the Southern Cross DC Tie before the tie is operational.

The Southern Cross DC Tie also poses significant impacts to the reliability of the ERCOT transmission system and the efficient operation of the ERCOT wholesale market. Significantly, the record evidence in this case does not establish the level at which the Southern Cross DC Tie can import or export power without resulting in transmission congestion. But the evidence does demonstrate that the existing transmission system would be able to accommodate ‘significantly less than the total [Southern Cross] DC Tie import capacity’—and that this situation will be ‘much worse during the critical summer peak hours when taking into account reactive power flows, losses, and dynamic ratings for the lines[,] which reduce their capacities.’³ Given the high likelihood of transmission congestion occurring at significantly less than the total 2,100 MW of import over the Southern Cross DC Tie, Luminant has proposed implementation of a CMP, potentially including an SPS, to allow for greater use of all supply resources in this area,

² Direct Testimony of David Parquet, Southern Cross Ex. 1 at 3:18-22.

³ Direct Testimony of Dr. Shams Siddiqi, Luminant Ex. 1 at 11-12.

thus benefiting ERCOT consumers, tie line importers, and generation resources in the area of the Southern Cross DC Tie.

If the Commission determines that the Southern Cross DC Tie should be allowed to energize on an ‘interim’ basis, it should direct ERCOT to implement a CMP, potentially including an SPS, as a reasonable means of accommodating flows across the tie and restrict the Southern Cross DC Tie to the lesser of 1,375 MW or the level of power flow that can be reliably accommodated with the CMP or SPS in place. Alternatively, if the Commission does not direct ERCOT to implement a CMP or SPS, it should order ERCOT to study and determine the level at which the Southern Cross DC Tie can operate without causing thermal overloads on the transmission system and without requiring the redispatch of existing thermal generation resources to address such overloads (which, as the record evidence fully addresses, are subject to economic dispatch in SCED, while DC ties are not). Without requiring these protections, permitting the Southern Cross DC Tie to operate on the ‘interim’ basis contemplated under the scenario posed in the Order Requesting Briefing could negatively impact the ERCOT system from both a reliability and market perspective.

III. CONCLUSION AND PRAYER

Luminant respectfully requests that the Commission adopt the PFD as modified by Luminant’s limited exceptions and responses to exceptions, including specific ordering language conditioning interconnection and energization of the Southern Cross DC Tie on ERCOT addressing price formation and transmission congestion issues.

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, 22nd day of August, 2016, in accordance with SOAH Order No. 3 issued in this docket.

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