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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 §

PUBLIC UTILITY COMMISSION  
BEFORE THE

PUBLIC UTILITY COMMISSION  
OF TEXAS

**ERCOT'S REPLY TO MOTIONS FOR REHEARING**

Electric Reliability Council of Texas, Inc. (ERCOT) submits this reply to the motions for rehearing filed on October 3, 2016 in the above proceeding. The majority of concerns voiced in these motions address matters of cost allocation on which ERCOT has taken no position. However, ERCOT agrees with Texas Industrial Energy Consumers (TIEC) that the Public Utility Commission of Texas (Commission) should consider whether some clarification of its order may be warranted with respect to the method of allocating various costs associated with the interconnection of the DC tie proposed by Southern Cross Transmission LLC (Southern Cross). ERCOT submits this reply to propose additional clarifications that may help to avoid possible confusion in implementing the Commission's order.

The order anticipates that ERCOT will incur costs associated with performing studies, developing system changes, and negotiating agreements necessary to accommodate the Southern Cross DC tie project. ERCOT expects that it can feasibly invoice these costs to Southern Cross as they are incurred. For other costs that are likely to recur or that could more feasibly be assessed against entities scheduling across the DC tie, the Commission may find it more appropriate to allow some flexibility in determining which entity should bear those costs. For example, under ERCOT's current systems, ancillary services are procured for each hour of the upcoming Operating Day and these costs are assessed against Qualified Scheduling Entities (QSEs) on a daily basis. Since Southern Cross would presumably not be eligible to register as a QSE, ERCOT would be unable to incorporate a direct assignment of costs against Southern Cross into its daily settlements systems unless additional changes to ERCOT Protocols and systems were made. ERCOT (or the Commission) may ultimately find it more practicable to simply assign these costs to those QSEs that schedule transactions over the ties during a given hour, although the exact

method of this assignment would need to be considered by ERCOT stakeholders. Similar concerns exist with respect to the direct assignment of the cost of potential transmission upgrades, which might more feasibly be assessed against entities scheduling power over the DC tie.

TIEC proposed modifying Findings of Fact 119B and 119C and Ordering Paragraphs 34 and 35 to require direct assignment of these various costs to “Southern Cross transmission and entities using the Southern Cross DC tie.” ERCOT suggests that the Commission’s use of “or” in place of “and” in this phrase would allow greater flexibility in determining the most appropriate method of direct assignment. ERCOT therefore recommends the following changes to these and other related Findings of Fact and Ordering Paragraphs:

**Findings of Fact:**

- 59. Any transmission upgrade costs associated with the Garland project or Southern Cross DC tie should be assigned directly to Southern Cross Transmission ~~and~~or entities using the Southern Cross DC tie.
- 70A. All flows across the Southern Cross DC tie, whether exports or imports, should be accounted for ~~inby ERCOT’s transmission cost assignment~~ in order to ensure that Southern Cross Transmission or entities scheduling across the Southern Cross DC tie pays for ~~its~~the use of the ERCOT grid.
- 119B. It is reasonable, protective of the public interest, and consistent with the FERC Order for any additional associated costs that may arise because of the Garland project or the Southern Cross DC tie that would otherwise be borne by ERCOT ratepayers to be borne instead by Southern Cross Transmission or entities scheduling across the Southern Cross DC tie, unless otherwise required by Commission rules. Such costs include, but are not limited to, transmission upgrade costs, ancillary services costs and the costs of negotiating and executing any coordination agreements with any independent system operator, regional transmission organization, or reliability coordinator.
- 119C. It is reasonable, protective of the Public interest, and consistent with the FERC Order for any incremental transmission and ancillary-services costs required in order to support imports or exports over the Southern Cross DC tie to be assigned directly to Southern Cross Transmission or entities scheduling across the Southern Cross DC

tiethose imports or exports.

**Ordering Paragraphs:**

35. Any incremental transmission and ancillary services costs required in order to support imports or exports over the Southern Cross DC tie shall be directly assigned to ~~these imports or exports~~ Southern Cross Transmission or entities scheduling across the Southern Cross DC tie.
42. All flows across Garland's transmission line that pass through the Southern Cross DC tie, whether exports or imports, shall be accounted for ~~in by ERCOT's transmission cost assignment~~ in order to ensure that Southern Cross Transmission or entities scheduling across the Southern Cross DC tie pays for its use of the ERCOT grid.

Respectfully submitted,



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### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of this document was served on all parties of record on October 18, 2016, by posting on the PUC Interchange or by U.S. first class mail in accordance with the provisions regarding service in SOAH Order No. 3 in this proceeding.

M. M. B. j