



## Filing Receipt

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PROJECT NO. 53169

REVIEW OF TRANSMISSION RATES § PUBLIC UTILITY COMMISSION  
FOR EXPORTS FROM ERCOT §  
§ OF TEXAS

**Southern Cross Transmission LLC's Reply Comments on Discussion Draft**

Southern Cross Transmission LLC ("SCT") submits these reply comments concerning the Staff Discussion Draft in this Project. An executive summary is included at the end of this filing.

**I. Reply to TIEC**

Except for TIEC, all parties that filed initial comments either supported or did not oppose the discussion draft changes to the export charge rule.<sup>1</sup> Certain portions of TIEC's comments merit a response. For example, SCT does not agree with TIEC's unexplained assertion that a higher export charge from June through September makes sense for reliability reasons.<sup>2</sup> As discussed in Section II below, both Oncor's and OPUC's initial comments concluded that the discussion draft proposal to eliminate the seasonal export charge increase *will not impact ERCOT system reliability*.<sup>3</sup> SCT's initial comments explained that the proposed change would *improve ERCOT system reliability* by increasing exports of surplus renewable energy during low load conditions, while DC ties would import power rather than export during scarcity conditions.<sup>4</sup> ERCOT has authority to curtail exports and call for imports if needed for reliability reasons,<sup>5</sup> but market forces will produce that result before ERCOT has to impose it.

Although TIEC's comments refer to "aligning price incentives" during tight grid conditions,<sup>6</sup> they appear to mean arbitrarily imposing higher export *rates* during one-third of the hours in the year, instead of relying on *market prices* that will discourage exports and encourage imports during scarcity conditions in ERCOT. TIEC also suggests that peak transmission demand typically occurs in the months of June through September,<sup>7</sup> but that peak demand typically occurs during a few hours of those months, not *every hour*, which is the definition of on-peak in the existing export charge rule.<sup>8</sup> TIEC's position would perpetuate a regulatory mechanism that is

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<sup>1</sup> 16 TAC § 25.192(e).

<sup>2</sup> TIEC's Initial Comments at 1.

<sup>3</sup> Oncor's Initial Comments at 1, 3; OPUC's Initial Comments at 1.

<sup>4</sup> SCT's Initial Comments at 3.

<sup>5</sup> ERCOT Nodal Protocols §§ 6.5.9.3.4(5) and 6.5.9.4(6).

<sup>6</sup> TIEC's Initial Comments at 1.

<sup>7</sup> TIEC's Initial Comments at 1.

<sup>8</sup> 16 TAC § 25.192(e)(2).

obsolete, overly broad, and unnecessary. It is also contrary to PURA § 39.001(d)'s directive to use competitive rather than regulatory methods to the greatest extent feasible and to adopt rules that are practical and limited so as to impose the least impact on competition, as well as PURA § 35.004(d) requiring that wholesale transmission service be based on the postage stamp method of pricing.

Finally, TIEC's statement that DC ties pay export charges is not accurate. DC ties are transmission facilities, not users of the grid. Entities scheduling exports over DC ties (*e.g.*, Qualified Scheduling Entities or "QSEs") pay transmission charges for use of the ERCOT grid to export power,<sup>9</sup> not DC ties. The QSEs that use DC ties to export are paying transmission rates for use of the ERCOT system from source (one or more ERCOT generators) to sink (a DC Tie Load Zone), no different than any native ERCOT consumer moving power from source to sink and paying a postage stamp rate for transmission service. TIEC's stated goal of preferential treatment for native loads is already incorporated into the ERCOT market rules and nothing about Staff's proposed change to § 25.192(e) alters the fact that DC tie loads are shed first during emergency conditions.

## **II. Reply to Other Comments**

Several parties filed initial comments that are useful to understanding the proposed discussion draft changes to the export charge rule:

Oncor filed comments noting, among other things, that it does not expect the discussion draft rule change to impact ERCOT system reliability because ERCOT has authority to curtail or deny export transactions if it determines there is inadequate system capacity for them.<sup>10</sup> As discussed above in response to TIEC, ERCOT not only has authority to curtail exports but can also call on imports over DC ties for reliability reasons.

Rainbow Energy Marketing's comments noted that the ERCOT DC ties were importing power at their full capacity during the most critical period of Winter Storm Uri.<sup>11</sup> Market forces can be expected to result in DC tie imports during high-price scarcity conditions and exports during low-load conditions when there is inexpensive surplus power, without need for ERCOT's intervention.

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<sup>9</sup> 16 TAC § 25.192(e)(3).

<sup>10</sup> Oncor's Initial Comments at 3.

<sup>11</sup> Rainbow Energy Marketing's Initial Comments at 2.

OPUC concurred that adoption of the discussion draft will not adversely impact system reliability and also stated that the proposed rule change is in the public interest and will not adversely affect ratepayers, market participants, or electric utilities.<sup>12</sup>

Grid United observed that the existing DC ties support the transmission grid by importing power in times of high ERCOT demand and exporting power in times of low demand. Grid United also noted that DC ties increase reliability and lower costs for ERCOT customers in the face of grid instability caused by extreme weather events.<sup>13</sup>

AEP Texas proposed additional minor changes to subsection (e)(2) of the export tariff rule to recognize that export transactions are billed in hourly intervals.<sup>14</sup> SCT made a similar suggestion in its initial comments. Although AEP Texas' and SCT's proposed changes to subsection (e)(2) vary slightly, either version would accomplish the intended purpose. However, SCT also proposed conforming changes to subsection (e)(1) that should be incorporated without regard to the version of (e)(2) included in the rule.<sup>15</sup>

Southern Cross Transmission appreciates the opportunity to submit reply comments on Staff's Discussion Draft.

Respectfully submitted,

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<sup>12</sup> OPUC's Initial Comments at 1.

<sup>13</sup> Grid United's Initial Comments at 2, 3-4

<sup>14</sup> AEP Texas' Initial Comments at 1.

<sup>15</sup> See SCT's Initial Comments at 4.

**Executive Summary**  
**Reply Comments of Southern Cross Transmission LLC – Project No. 53169**

- Except for TIEC, the initial comments concerning Staff’s discussion draft either support or do not oppose removal of the seasonal component from the export tariff rule.
  - TIEC’s comments assert that for reliability reasons it still makes sense for DC ties to pay more for using the ERCOT grid for exports to other power regions during June, July, August and September.
  - SCT disagrees that it makes sense to have higher export charges for four months of the year for reliability reasons. ERCOT has authority to curtail exports and call for imports over DC ties during emergencies and price signals will lead to imports rather than exports during scarcity conditions, providing an important reliability benefit.
  - TIEC’s statement that DC ties pay to use the ERCOT grid is not accurate. Qualified Scheduling Entities (QSEs) that use the ERCOT grid to export power pay the charges for those transactions.
- Other parties’ comments make important points for the Commission to consider.
  - Oncor does not expect the proposed amendments to have reliability impacts because ERCOT curtails or denies export transactions if it determines there is inadequate system capacity for them.
  - Rainbow Energy Marketing notes that during the most critical period of Winter Storm Uri, the ERCOT DC ties were importing power at their full capacity.
  - OPUC states that adoption of Staff’s discussion draft is in the public interest and will not adversely affect ratepayers, market participants, electric utilities, or system reliability.
  - Grid United observes that the existing DC ties import power in times of high ERCOT demand and export power in times of low demand, in both cases supporting the transmission grid.
  - AEP Texas notes that exports are billed in hourly intervals and proposes rule amendment language to reflect that billing practice.