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PUC PROJECT NO. 53169

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

TEXAS INDUSTRIAL ENERGY CONSUMERS' COMMENTS
ON THE PROPOSAL FOR PUBLICATION

I. INTRODUCTION

At a time when the Commission is focused on incentivizing reliability, abandoning a pricing model where DC Tie exports are charged a higher rate for using the transmission grid during on-peak periods is a move in the wrong direction. Texas Industrial Energy Consumers (TIEC) believes the Commission should preserve its longstanding policy of charging DC Tie exports at a higher rate when transmission capacity is more likely to be in high demand,¹ but recommends refining the current approach to more accurately target peak demand periods.

The ERCOT grid was built by and for the “native” end-use customers who depend on it for reliable power. The Commission should require non-native DC Tie exports to provide a greater contribution to grid costs if they use the ERCOT transmission system during periods when peak demand is likely to occur. PURA requires the Commission to uniformly price wholesale transmission service for native loads *within* ERCOT based on the postage stamp rate, but does not require the same treatment for exports.² Nevertheless, the Proposal for Publication would require TSPs to apply postage stamp pricing to DC tie exports during all hours of the year. Basic principles of economics and cost causation dictate that reducing the cost of using the transmission grid during peak periods will encourage additional exports, all other things being equal, which could cause existing grid capacity to be strained when customers need it most. Imposing higher transmission costs on DC Ties during potential peak demand periods is an appropriate deterrent and tracks cost causation.

¹ The current approach has been in effect since at least 1999. *See, e.g., Order Adopting Amendments to §§25.192, 25.193, 25.194, 25.198 and 25.204 as Approved at the December 1, 1999 Open Meeting and Published in the Texas Register on December 24, 1999* at 20, Rule 25.192(g), available at: <http://www.puc.texas.gov/agency/rulesnlaws/subrules/electric/25.192/21080adt.pdf>.

² PURA § 35.004(d) (“The commission shall price wholesale transmission services *within ERCOT* based on the postage stamp method of pricing. . .”) (emphasis added).

Notably, maximum demand on the transmission system may or may not coincide with emergency conditions in the wholesale market. As a result, relying on wholesale market energy signals or emergency conditions is not a reliable way to ensure prudent use of the transmission grid. Transmission congestion and overloading occur when absolute demand on the grid is at or near its peak, which can happen even when there is ample energy available. In prior comments, some parties argued that charging a higher price for transmission during peak periods is not necessary because ERCOT can curtail or deny DC tie transactions.³ However, ERCOT can only curtail DC tie exports in a few limited situations prior to declaring an EEA,⁴ and as noted above, scarcity in the energy market does not necessarily align with peak demand on the transmission system. DC tie exports are allowed to continue even when absolute peak demand is reached in ERCOT if there is ample available energy. As a result, it is still necessary and appropriate for the Commission to establish rates that reflect the higher demand on the transmission system during peak exports by charging a higher price.

As noted in TIEC's prior comments, it is important for the Commission to preserve some form of "on-peak" transmission charges for DC tie exports, but TIEC acknowledges that the current language of Substantive Rule 25.192(e) may not be the best or only approach. For example, much of the criticism of the current rule stems from the higher "on-peak" transmission charges applying throughout the entire summer—even at night when it is unlikely that the grid will be in high demand.⁵ Accordingly, TIEC suggests that the Commission more narrowly tailor the "on-peak" period to the hours of 2-7 PM during weekdays in the summer months, which is when peak demands actually occur and potential reliability risk is greatest. This proposal would strike a reasonable middle ground between the various commenters' positions and could be accomplished with relatively minor changes to the Proposal for Publication, as described below.

³ Office of Public Utility Counsel's Reply Comments on Commission Staff's Discussion Draft at 3 (March 14, 2022).

⁴ ERCOT Nodal Protocols § 4.4.4(11)-(16) (stating that outside of EEA events, ERCOT can only curtail DC tie load if a non-ERCOT control area system operator requests curtailment, if a DC tie experiences an outage, if there is a transmission security violation, or as necessary to ensure an entity is not considered a public utility).

⁵ *E.g.* Rainbow Energy Marketing Corporation Initial Comments on Discussion Draft at 2 (Mar. 3, 2022) ("The current transmission charges for DC Tie exports create a significant barrier to exporting *off-peak energy* . . . The curtailment or bottling up of renewable energy during *off-peak hours* instead of exporting to neighboring grids that are willing to pay higher prices is an inefficient waste of societal resources.") (emphases added).

II. PROPOSED LANGUAGE

TIEC acknowledges other parties' concerns about designating every hour of the summer months as "on-peak" in establishing transmission rates for DC tie exports. Accordingly, TIEC recommends applying a higher on-peak transmission charge to the specific hours when peak demand on the transmission system is most likely to occur—between 2:00 p.m. and 7:00 p.m. on weekdays during the months of June, July, August, and September. This more granular approach would help improve DC Tie economics, while also capturing cost-causation and deterring use of the transmission grid for exports during periods of potential peak demand. This will promote better reliability and cost outcomes for native ERCOT customers.

To accomplish these objectives, TIEC suggests replacing § 25.192(e)(2) of the Proposal for Publication with the following:

The transmission rate will be the TSP's annual rate converted to an on-peak and off-peak hourly rates. ERCOT will provide TSPs with data necessary to allow accurate billing of on-peak and off-peak exports. The on-peak rate will be one-fourth of the TSP's annual rate, and will be charged between 2-7 PM on weekdays during the months of June, July, August, and September. The off-peak rate will be one-twelfth of the TSP's annual rate, and will be charged in all other hours.

TIEC's proposal maintains an appropriate price differential between on-peak and off-peak export transmission charges for DC tie exports,⁶ but in a more targeted way that addresses the criticisms of a number of parties regarding the current "blunt" on-peak pricing throughout the summer. Importantly, TIEC's proposed language directs ERCOT to provide sufficiently granular data to enable TSPs to accurately bill for DC tie exports on summer days when two different rates apply. TIEC understands from conversations with the TSPs that the on-peak/off-peak structure proposed above is workable as long as sufficient information is provided by ERCOT to allow the TSPs to identify the demand of DC Tie exports during the on-peak periods.

⁶ In the current rule, on-peak charges are one-fourth of the TSP's annual rate and off-peak charges are one-twelfth of the TSP's annual rate, meaning the on-peak are three times higher.

III. CONCLUSION

TIEC respectfully asks the Commission to improve upon the current “on-peak versus off-peak” rate construct by adopting the language above, rather than abandoning any attempt to reflect cost-causation in transmission pricing for DC Ties. The Commission should ensure that transmission pricing creates appropriate behavior incentives for DC Ties to (a) contribute to grid costs that will otherwise be borne by native ERCOT customers and (b) promote grid reliability during peak demand. TIEC looks forward to further discussion on these issues as this rulemaking moves forward.

Respectfully submitted,

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