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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 Proposal for Publication

Southern Cross Transmission LLC (“SCT”) submits these reply comments concerning the Proposal for Publication approved at the August 4, 2022 open meeting. The proposal for publication indicated that reply comments should be filed by September 15, 2022 so these comments are timely filed. An executive summary is included at the end of this filing.

I. Reply to TIEC

A. Introduction and Summary

SCT limits its reply comments to responding to TIEC’s proposal to retain the administrative 3X postage stamp charge for peak hours currently in the export tariff rule but to reduce the hours during which that charge would apply. SCT recommends that the Commission not adopt TIEC’s proposal because it would continue to impose an economic burden on exports during pre-determined hours rather than relying on market forces and ERCOT’s authority to curtail exports when necessary. TIEC’s proposed peak hours, while reduced from the hours in the existing rule, would still create an unnecessary regulatory barrier to exports for many hours of the year without regard to whether actual grid and market conditions justify a limitation during those hours. There is no valid basis for continuing such an administrative constraint, even for a smaller number of hours than in the current rule, when market forces – backstopped by ERCOT’s curtailment authority – will limit exports when it is appropriate to do so, in a more effective and less arbitrary way.

Further, several of the premises for TIEC’s proposal are faulty. For example, TIEC erroneously suggests that PURA’s postage stamp rate provision applies to native loads but not exports. Similarly, TIEC asserts that exporters should pay more than native load although exporters receive less service than other loads since they are the first firm service to be curtailed and ERCOT does not plan transmission to serve them. Finally, TIEC understates ERCOT’s ability to curtail exports when in fact the priority TIEC seeks for native load already exists in ERCOT’s market rules and this proposed rule does not change that.

B. Administratively-Defined Peak Hours

Although TIEC's proposal would reduce the number of hours defined as peak in the existing rule, it does not change the nature of the administratively-defined 3X postage stamp export rate for a prescribed block of hours without consideration of actual market and grid conditions during those hours. While TIEC's proposed block of hours may more closely resemble peak hours than the current rule, many of those proposed hours will not be peak conditions, such as early afternoon hours and many hours in June and September. With the anticipated rapid expansion of solar power on the ERCOT grid, TIEC's proposed peak hours may not even encompass the key hours on the grid at all in the near future. This highlights the inherent inability of administratively pre-defined hours in a Commission rule to accurately reflect real-time conditions on the grid.

Market forces, along with ERCOT's real-time management of the grid and authority to curtail exports, provide a much more precise and meaningful limit on exports than a rigid definition of peak hours that is not based on actual grid conditions. In times of scarcity in ERCOT, energy prices will rise and signal market participants to curtail exports and to import power into ERCOT instead. This will occur in real-time and provide an accurate market-based signal for flows on DC ties, unlike an administratively-determined block of hours that does not reflect real-time conditions on the grid. Although TIEC suggests that market signals may not always coincide with congestion on the electric grid, they will provide a far more meaningful and relevant signal to DC tie flows than the administratively pre-determined block of hours that TIEC proposes. In the unlikely event that DC tie flows do not respond to market signals, ERCOT has undisputed authority to both curtail exports and call on imports over those ties.¹

C. TIEC's Premises are Flawed

Several premises of TIEC's proposal are flawed and do not support TIEC's recommendation. For example, TIEC erroneously suggests that PURA's postage stamp rate provision applies to native loads but not exports.² In fact, PURA § 35.004(d) does not distinguish between native load and exports, it simply provides that the Commission shall price wholesale transmission services within ERCOT based on the postage stamp method of pricing. The Commission's export tariff rule is clear that the export charge is "assessed to transmission service customers for transmission service *within the boundaries of the ERCOT region*" and "*for the use*

¹ ERCOT Nodal Protocols §§ 6.5.9.3.4(5) and 6.5.9.4(6).

² TIEC's initial comments at 1.

of the ERCOT transmission system in exporting power.”³ In other words, the charge is for use of the ERCOT system to transport power from its source *within ERCOT* to the export node *also within ERCOT*, not for the export itself. This is exactly the same form of power transfer that occurs when a native load pays for transmission service to move power from a resource on the ERCOT system to its load zone on the ERCOT system.⁴ TIEC attempts to draw a distinction where none exists. All users of the transmission system in ERCOT pay for transmission service within ERCOT.

Similarly, TIEC asserts that exporters should pay higher transmission rates than native load⁵ although even under the proposed rule charging a postage stamp rate year-round, exporters will effectively pay more for transmission service than native load because they will receive a lesser degree of service for the same postage stamp rate. Exports are the first firm service to be curtailed⁶ and ERCOT does not plan transmission to serve them.⁷ As a result, exporters already effectively pay more for transmission service than native load, without including an administrative adder for a pre-determined block of hours as TIEC proposes.

Finally, TIEC understates ERCOT’s ability to curtail exports when in fact the priority TIEC seeks for native load already exists in ERCOT’s market rules. As discussed above, exports are the first firm service to be curtailed.⁸ In addition, ERCOT’s Protocols require the grid operator to post Day Ahead limits on DC Tie flows (imports or exports) if insufficient transmission is likely to exist for any reason in the coming operating day, completely independent from and irrespective of market prices or Real-Time energy sufficiency.⁹ When NPPR 825 is implemented, ERCOT will be required each hour to post a rolling 48 hour schedule of DC Tie limits.¹⁰ ERCOT is prohibited from approving a requested DC Tie schedule that would exceed the posted DC Tie limit for a given operating hour.¹¹ DC Tie load is the *only* load that ERCOT can pre-emptively curtail – the only

³ 16 TAC § 25.192(e) and (e)(1) (emphasis added).

⁴ An exporter’s use of the ERCOT transmission system from source to sink is exactly the same as a refinery’s use of the transmission system, for example, from its source to its sink. The two transactions have the same requirements for reliable transmission service. They require the same ancillary services to support them. They pay the same fees to use ERCOT systems. They pay the same uplift costs in wholesale settlement. They are indistinguishable in the State Estimator and the Nodal Operations Model.

⁵ TIEC’s initial comments at 1.

⁶ ERCOT Nodal Protocols §4.4.4(11). “DC Tie Load is curtailed prior to other Load on the ERCOT system ...”

⁷ By rule, ERCOT curtails DC Tie exports in transmission planning studies to avoid recommending transmission improvements to serve DC Tie exports. ERCOT Nodal Planning Guide §4.1.1.1(6). “Assumed Direct Current Tie imports and exports will be curtailed as necessary to meet reliability criteria in planning studies.”

⁸ ERCOT Nodal Protocols §4.4.4(11). “DC Tie Load is curtailed prior to other Load on the ERCOT system ...”

⁹ ERCOT Nodal Protocols §3.10.7.7.

¹⁰ *Id.*

¹¹ ERCOT Nodal Protocols §4.4.4(5).

kind of load schedule that ERCOT can reject.¹² In sum, the priority TIEC seeks for native load over export load already exists in ERCOT's market rules and nothing about this proposed rule changes that.

D. Conclusion

SCT supports the proposed rule in this proceeding and opposes TIEC's suggestion to substitute an alternative block of administratively pre-determined 3X postage stamp peak hours for the block of hours currently contained in the rule. Pre-determined blocks of hours are by definition not responsive to or reflective of actual grid and market conditions, and will not provide real-time signals for DC tie flows like market prices and ERCOT's real-time operation of the grid will. Moreover, some of the premises for TIEC's proposal are flawed and do not support its adoption.

Southern Cross Transmission appreciates the opportunity to submit reply comments on the proposed rule.

Respectfully submitted,

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¹² ERCOT Nodal Protocols §4.4.4(15).

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

Reply to TIEC:

- SCT recommends that the Commission not adopt TIEC’s proposal to retain the 3X export charge but reduce the hours during which it would apply.
- TIEC’s proposal would still create an unnecessary regulatory barrier to exports for many hours of the year without regard to whether actual grid and market conditions justify a limitation during those hours.
 - Many of TIEC’s proposed peak hours will not be peak conditions, such as early afternoon hours and many hours in June and September.
 - With the anticipated rapid expansion of solar generation on the ERCOT grid, TIEC’s proposed peak hours may not even encompass the key hours on the grid at all in the near future.
 - This highlights the inherent inability of administratively pre-defined hours in a Commission rule to accurately reflect real-time conditions on the grid.
- Market forces – backstopped by ERCOT’s curtailment authority – will limit exports in a more effective and less arbitrary way.
 - In times of scarcity in ERCOT, energy prices will rise and signal market participants to curtail exports and to import power into ERCOT instead.
 - This will occur in real-time and provide an accurate market-based signal for flows on DC ties, unlike an administratively pre-determined block of hours like TIEC proposes.
 - In the unlikely event that DC tie flows do not respond to market signals, ERCOT has undisputed authority to both curtail exports and call on imports over those ties.
- Several of the premises for TIEC’s proposal are faulty:
 - For example, TIEC erroneously suggests that PURA’s postage stamp rate provision applies to native load but not exports.
 - Even under the proposed rule, exports will effectively pay more than native load because they receive less service since they are the first firm service to be curtailed and ERCOT does not plan transmission to serve them.
 - As a result, the priority for native load that TIEC supports already exists in ERCOT’s market rules.