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PROJECT NO. 53169

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

COMMENTS OF RAINBOW ENERGY MARKETING CORPORATION

Rainbow Energy Marketing Corporation (REMC) appreciates the opportunity to comment on the draft amendment to 16 TAC §25.192, relating to Transmission Service Rates. REMC is part of a family of companies that comprise United Energy Corporation (UEC). UEC is a diversified energy industry leader in acquiring, drilling, producing and reworking oil and gas properties, as well as extending that core-business into the wholesale buying and selling of natural gas and electricity throughout the United States, Canada and Mexico. REMC grew out of UEC's beginnings in gas marketing and production and has been engaged in the wholesale power marketing and trading business since 1994. The company was a very early entrant into the deregulated electric power industry and has been focused on balancing supply and demand needs for electric utilities, independent power producers and other market participants. REMC specializes in providing its customers with tailor-made as well as standard energy services and products that fit the individual needs of its customers. REMC does business in the United States, Canada, and Mexico. REMC is an active participant in the ERCOT market, particularly in the trading of energy with other grids through use of the Direct Current (DC) Ties.

REMC supports Commission Staff's proposed amendment to §25.192(e) that would eliminate the seasonal component of the transmission charge for exporting power outside the ERCOT region by eliminating an increased charge for the months of June, July, August, and September. Current export tariffs are such that a flat (8760-hour) DC Tie export ("DC Tie Load") pays 1.67 times the transmission cost paid by similar other flat Load and, unlike other Load avoiding the 4-Coincident Peak (4-CP) charges, DC Tie Load cannot avoid paying this transmission charge since it's charged in all hours as $/MWh. Thus, DC Tie Load pays more than other Load in transmission cost and yet, Planning Guide Revision Request (PGRR) 077 as adopted by the ERCOT Board on October 13, 2020, no transmission upgrade or even modifications of planned transmission upgrades would be considered to reliably accommodate DC Tie Load whereas upgrades are planned for other Loads that pay no transmission cost by avoiding 4-CP charges. REMC requests either the Commission set the tariff at the lower level than the full transmission cost of service since no transmission capital costs are being incurred to accommodate DC Tie exports according to PGRR077 or change Planning Guide language to plan for DC Tie transactions. It is important to note that in the early morning of February 15, 2021, during Winter Storm Uri when the ERCOT grid was most vulnerable and close to collapse, there was about 1,200 MW (the full capability of all DC Ties) of power being imported into ERCOT to provide critical support. Not planning for DC Tie transactions in the reliability transmission planning process may result in reduced capabilities to accommodate DC Tie transactions in the future.

The current transmission charges for DC Tie exports create a significant barrier to exporting off-peak energy – this suppresses the opportunity for the market to address the most important price formation issue identified by Dr. William Hogan and Dr. Susan Pope[1] – i.e., the allocation of sunk costs adversely impacting decisions to consume/export. 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. These exports help with resource adequacy by alleviating the impacts of price distorting production tax credits and thus address some of the main challenges facing the ERCOT market, as identified by Drs. Hogan and Pope[2] as "those arising from increasing energy supply from subsidized renewables, as well as continuing challenges, such as transmission investment and cost recovery, and the persistent lower cost of the wholesale market's marginal fuel (i.e. natural gas), which results in lower energy and ancillary service revenues." On the other hand, DC Tie imports during times of scarcity and emergencies provide significant benefit to consumers in ERCOT and the grid.

REMC supports Commission Staff's proposed amendment to §25.192(e) as an important first step and requests the Commission to consider the following additional changes:

1. Differentiate between Peak (Weekdays Hour Ending ("HE") 0700 to HE 2200) and Off-Peak (all other hours) export rates. For example, setting Peak export rate at roughly

[1] *Priorities for the Evolution of an Energy-Only Electricity Market Design in ERCOT*, Dr. William Hogan and Dr. Susan Pope of FTI Consulting, Inc., filed in PUCT Project No. 47199, Project to Assess Price-Formation Rules in ERCOT's Energy-Only Market, 2017.
[2] *Ibid*.

twice the Off-Peak rate such that the average annual rate would be the same as set by Commission Staff's proposed export tariff.

2. Instruct ERCOT to collect the export tariff on behalf of all Transmission Service Providers.
3. Either reduce the export tariff from that proposed by Commission Staff or instruct ERCOT to plan for DC Tie transactions.

REMC appreciates this opportunity to submit comments in this important Project and looks forward to further discussing these issues with the Commission and other stakeholders.

Respectfully submitted,

Executive Vice President

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