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PROJECT NO. 53198

PROJECT TO IDENTIFY ISSUES	§	PUBLIC UTILITY COMMISSION
PERTAINING TO LUBBOCK POWER	§	
AND LIGHT'S PROPOSAL TO	§	OF TEXAS
TRANSFER EXISTING FACILITIES	§	
AND LOAD INTO THE ELECTRIC	§	
RELIABILITY COUNCIL OF TEXAS	§	

**OFFICE OF PUBLIC UTILITY COUNSEL'S INITIAL COMMENTS
ON COMMISSION STAFF'S DISCUSSION DRAFT**

The Office of Public Utility Counsel ("OPUC") respectfully submits these initial comments to the notice seeking comments on the project to identify issues related to the possible transfer of City of Lubbock, acting by and through Lubbock Power & Light's ("LP&L") remaining roughly 190 megawatts ("MW") of load into the Electric Reliability Council of Texas ("ERCOT") system. The market notice requests initial comments on the project by April 29, 2022. Therefore, these comments are timely filed. OPUC makes the following recommendations.

I. RESPONSE TO REQUEST FOR INITIAL COMMENTS: SHOULD THE COMMISSION DIRECT ERCOT TO CONDUCT A COORDINATED IMPACT STUDY WITH THE SOUTHWEST POWER POOL ("SPP") OR OTHER STUDY IN ADDITION TO A LOAD INTEGRATION STUDY? PLEASE EXPLAIN [WHY] OR WHY NOT.

At its September 24, 2015, open meeting, the Public Utility Commission of Texas ("Commission") made its initial request that ERCOT conduct a study to evaluate the potential interconnection of the LP&L system into the ERCOT System.¹ ERCOT filed its initial integration study with the Commission on June 17, 2016.² The study was narrowly focused on identifying the best and most cost-effective way to integrate the LP&L system into the ERCOT grid.³ As

¹ *Project to Identify Issues Pertaining to Lubbock Power & Light's Proposal to Become Part of the Electric Reliability Council of Texas*, Docket No. 45633, ERCOT Letter to Commissioners at 2 (Jun. 17, 2016).

² *Id.*

³ Docket No. 45633, Southwest Power Pool LP&L Exit Study (Jun. 30, 2017).

such, its scope was not designed to produce a determinative recommendation as to whether the Commission should or should not approve LP&L's request to integrate assets into ERCOT.⁴

In a July 19, 2016, Memorandum, former Commission Chairman Donna L. Nelson opined that, in order to decide whether LP&L would be allowed to transition to ERCOT, it was necessary to determine "what studies need to be conducted, who should bear responsibility for the expense of the studies, and what factors a cost-benefit analysis should encompass."⁵ The following day, at its July 20, 2016, open meeting, the Commission requested that ERCOT and SPP coordinate on the parameters for utilizing a single methodology for determining costs and benefits and conduct individual studies on the impacts of the proposed LP&L transition out of SPP and into the ERCOT region.⁶

In an August 11, 2016, letter to the Commission, ERCOT addressed the scope of its coordinated Impact Analysis with SPP, explaining "[I]nitial discussions indicate that developing coordinated study scopes will be a complicated process. ERCOT and SPP have not worked jointly on transmission planning studies in the past, and we have differences in our study processes. While the discussions to date have been productive, at this time ERCOT and SPP are not able to provide specific details of the requested coordinated studies."⁷ In a February 1, 2017, joint letter to the Commission, ERCOT and SPP offered their draft of the study scope to be utilized in their respective studies to evaluate the costs and benefits of a potential transition of LP&L to the ERCOT Region.⁸ On June 30, 2017, SPP and ERCOT filed their respective studies with the Commission.⁹ While SPP did perform its study separately from ERCOT, SPP explained to the Commission that

⁴ Docket No. 45633, ERCOT Letter to Commissioners at 8 (Jun. 17, 2016).

⁵ Docket No. 45633, Open Meeting, July 20, 2016, Agenda Item No. 30 Memo from Chairman Nelson at 1 (Jul. 19, 2016).

⁶ Docket No. 45633, ERCOT's Resubmission of the September 15, 2016 Joint Letter of ERCOT and SPP to the Commission to Reflect Joint Signature at 2 (Sep. 16, 2016).

⁷ Docket No. 45633, Letter to Chairman and Commissioners (Aug. 11, 2016).

⁸ Docket No. 45633, Letter to Chairman and Commissioners at 1 (Feb. 2, 2017).

⁹ See Docket No. 45633, Southwest Power Pool LP&L Exit Study (Jun. 30, 2017); See also Docket No. 45633, ERCOT Letter to the Commissioners – Lubbock Power & Light System Study 2 (Impact Analysis) (Jun. 30, 2017).

it had worked with ERCOT to coordinate assumptions and methodologies to ensure consistency, to the extent possible.¹⁰

On September 1, 2017, the City of Lubbock through LP&L filed its application for authority to connect a portion of its system with ERCOT.¹¹ OPUC filed its Direct Testimony to the application November 28, 2017.¹² A project to Monitor LP&L's transition to ERCOT was also opened,¹³ as was a rulemaking project regarding load transfer between power regions.¹⁴ On March 15, 2018, the Commission issued an Order approving LP&L's interconnection with ERCOT, finding "[t]he transmission plan identified by ERCOT as Option 4ow in its Study . . . filed in Project No. 45633 on June 17, 2016, is a reasonable plan for integrating the affected load into ERCOT." Apart from LP&L's endeavors, East Texas Electric Cooperative has also filed its own petition for authority to transfer a portion of its load into ERCOT.¹⁵ A project was also opened pertaining to the ERCOT joint integrations of Rayburn and Lone Star Transmission ("LST"), with a joint application to transfer load into ERCOT initially filed by Rayburn and LST on May 30, 2018.¹⁶

It is OPUC's position, after having assessed the proposed transfer of LP&L's facilities and load into ERCOT, the prior history, and the various comments made by participants in past projects to identify issues pertaining to the proposed transfer of existing facilities and load into ERCOT, that the Commission should not require a coordinated impact study be performed by ERCOT and SPP. The enactment of the 4ow option for the initial LP&L interconnection has resulted in LP&L adding excess transfer capacity at its existing substations, supporting up to 860 MW of future load growth. This means that no transmission line upgrades or transmission construction initiatives are

¹⁰ Docket No. 45633, Southwest Power Pool LP&L Exit Study at 1 (Jun. 30, 2017).

¹¹ *Application of the City of Lubbock Through Lubbock Power and Light for Authority to Connect a Portion of its System with the Electric Reliability Council of Texas*, Docket No. 47576 (Sep. 1, 2017).

¹² Docket No. 47576, OPUC's Direct Testimony of William Starnes (Nov. 28, 2017).

¹³ *Project to Monitor Lubbock Power & Light's Transition to ERCOT*, Project No. 48113 (Feb. 27, 2018).

¹⁴ *Rulemaking Regarding Load Transfer Between Power Regions*, Project No. 48249 (Apr. 10, 2018).

¹⁵ *Petition of East Texas Electric Cooperative, Inc. for Authority to Transfer 35 Megawatts of Load into the Electric Reliability Council of Texas*, Docket 47898 (Dec. 12, 2017).

¹⁶ *Joint Application of Rayburn Country Electric Cooperative Inc. and Lone Star Transmission, LLC to Transfer Load to ERCOT, for Sale of Transmission Facilities, and Transfer of Certificate Rights in Henderson and Van Zandt Counties*, Docket No. 48400 (May 30, 2018).

presently needed for integrating LP&L's remaining 190 MW of load from outside ERCOT with the 470 MW it presently has within ERCOT. As such, the remaining LP&L interconnection at issue is one that is solely at the distribution level, effectively negating the need for further coordinated studies.

ERCOT is currently reviewing LP&L's Steady State Analysis for the current 190 MW load transfer process and is finalizing its own internal study to assesses various comprehensive elements of the remaining integration. As noted in ERCOT's February 9, 2022, letter, "ERCOT intends to conduct an independent study of the proposed LP&L Load integration that would be presented to ERCOT's Regional Planning Group (RPG), Technical Advisory Committee (TAC), and Board of Directors for review and approval. ERCOT would then intend to file the study results in the instant project, unless otherwise directed by the Commission. ERCOT expects to complete its independent study within the next four months."¹⁷ Based on the parties' actions to date and the needs of the current project, OPUC does not believe any additional studies beyond those that are presently being undertaken by LP&L and ERCOT are necessary. The Commission's enactment of rules directing ERCOT to conduct a coordinated impact study with SPP is unnecessary and will have nominal, if any, benefit to ratepayers, market participants, electric utilities, or system reliability, while raising monetary costs for ERCOT and LP&L ratepayers for these superfluous studies. Therefore, OPUC does not believe the Commission should enact such a directive at this time.

II. RESPONSE TO REQUEST FOR INITIAL COMMENTS: IF THE COMMISSION DOES DIRECT ERCOT TO PERFORM A STUDY IN ADDITION TO A LOAD INTEGRATION STUDY, WHAT SHOULD IT ENTAIL? PLEASE EXPLAIN WHETHER IT SHOULD BE THE SAME AS OR DIFFERENT FROM STUDIES FOR RECENT, PRIOR, PERMANENT, LOAD TRANSFERS. IF IT SHOULD BE THE SAME, PLEASE EXPLAIN WHY. IF IT SHOULD DIFFER, PLEASE EXPLAIN WHY AND HOW.

OPUC believes that, given the status of ERCOT's study, there is a possibility that proposed studies could be conducted by ERCOT separate from those by SPP. While it is too soon to tell, future ERCOT studies derived from the forthcoming analysis could entail assessment of those

¹⁷ *Project to Identify Issues Pertaining to Lubbock Power and Light's Proposal to Transfer Existing Facilities and Load into the Electric Reliability Council of Texas*, Docket No. 53198, ERCOT Letter Regarding Second Load Integration by City of Lubbock at 2 (Feb. 9, 2022).

integration issues addressed in the Memorandum of former Chairperson Nelson: a reliability analysis, an avoided cost of new projects analysis, a production cost analysis, an operational cost and reliability impact assessment, an ancillary services impact analysis, a congestion rights impact analysis, a sub synchronous resonance analysis, or a generator to synchronous condenser analysis.¹⁸ Further, as Oncor Electric Delivery Company, LLC noted in comments filed in Project No. 47342, “the necessary analyses and evaluations that should be performed by ERCOT and SPP for [integration] projects include, among other things: estimated economic impacts of the proposed disconnection from SPP and integration into ERCOT, analysis of avoided projects and additional projects needed as a result of the integration, and evaluations of impacts on operations, ancillary services, congestion rights, power flow and system contingencies, and reliability.”¹⁹ With the caveat that the present integration study is unlikely to warrant such studies, OPUC believes that the scope of any additional Commission directed studies should be based on the findings presented in the forthcoming ERCOT analysis.

III. RESPONSE TO REQUEST FOR INITIAL COMMENTS: SHOULD THE COMMISSION ALLOW COMMENTS ON WHAT ADDITIONAL STUDIES, IF ANY, SHOULD BE CONDUCTED BY ERCOT AFTER COMMENTERS HAVE AN OPPORTUNITY TO REVIEW ERCOT'S LOAD INTEGRATION STUDY? PLEASE EXPLAIN WHY OR WHY NOT.

OPUC believes that the Commission should allow comments on what additional studies, if any, should be conducted by ERCOT after commenters have an opportunity to review ERCOT's load integration study. Doing so will enable the Commission to assess novel issues from differing perspectives raised by load integration that might not have been contemplated by the initial ERCOT study. It could also prove vital to the project, as it allows an adaptive approach to assessing tangential impacts from load integration benefits to the market and ultimately helps to ensure ratepayers retain the cost benefits contemplated by utility integration with ERCOT.

¹⁸ Docket No. 45633, Open Meeting, July 20, 2016, Agenda Item No. 30 Memo from Chairman Nelson at 1. (Jul. 19, 2016).

¹⁹ *Project to Identify Issues Pertaining to Rayburn Country Electric Cooperative, Inc.'s Proposal to Transfer Existing Facilities and Load into the Electric Reliability Council of Texas*, Project No. 47342, Initial Comments of Oncor Electric Delivery Company, LLC at 2-3 (Jul. 14, 2017).

IV. RESPONSE TO REQUEST FOR INITIAL COMMENTS: SHOULD STUDIES BE CONDUCTED OF THE IMPACT OF LP&L'S PLANNED LOAD TRANSFER ON THE SPP SYSTEM? PLEASE EXPLAIN WHY OR WHY NOT. IF SUCH STUDIES SHOULD BE CONDUCTED, PLEASE EXPLAIN WHAT ISSUES THOSE STUDIES SHOULD ADDRESS AND WHY AND WHO SHOULD PREPARE THE STUDIES.

Given the MW sufficiency of margin for the SPP load shed contemplated by the remaining LP&L interconnection, OPUC does not believe that additional studies of the impact of LP&L's planned load transfer on the SPP system should be conducted. At this time, OPUC does not foresee an additional SPP study benefiting Texas' residential and small commercial consumers.

V. RESPONSE TO REQUEST FOR INITIAL COMMENTS: PLEASE PROVIDE ANY OTHER COMMENTS YOU HAVE REGARDING LP&L'S PLANNED LOAD TRANSFER.

OPUC believes that integration of LP&L's affected load into ERCOT is in the public interest, provided reasonable steps are taken to hold the public harmless. Foremost, as a condition of approval, OPUC recommends that LP&L hold ERCOT customers harmless for the integration costs. In addition to ERCOT customers, Southwestern Public Services Company ("SPS") Texas retail customers should also be held harmless from the integration of LP&L's remaining load into ERCOT. To the extent any cost increases occur, the costs should be borne by LP&L. LP&L should also be required to hold ERCOT and SPS customers harmless against any net increase in transmission costs derived from the additional load integration for a period of five years. In the alternative, LP&L should be required to come before the Commission for a public interest determination and be required to pay for any stranded costs associated with LP&L's exit. OPUC would urge the Commission to consider the effects of transmission costs and production costs on customers in the context of any cost/benefit analysis and in determining whether the application is in the public interest.

OPUC would urge the Commission to condition approval of an LP&L integration application upon the recovery of net transmission costs through a hold harmless mechanism, so as to protect ERCOT and SPS customers from these increased costs and to ensure the application is in the public interest. Consistent with Docket No. 51100, the hold-harmless rate credits should be implemented with an effective date simultaneous to that of the Commission's approval of LP&L's

interim Transmission Cost of Service (“TCOS”) rates.²⁰ This payment would indemnify customers in the ERCOT region for the expected net impacts of LP&L's transition to ERCOT.²¹ It is unreasonable for LP&L to make a hold harmless payment to wholesale transmission customers, then have those customers return the payment to LP&L through its TCOS rate. The hold harmless payment would not be recorded to an eligible transmission plant or expense account and thus would be ineligible for recovery as a transmission cost. Furthermore, the Commission should require LP&L to remove ERCOT integration costs from any future TCOS filing. OPUC underscores its position that throughout the entirety of the load transfer process, residential and small commercial consumers should be treated fairly and reasonably.

VI. CONCLUSION

OPUC appreciates the opportunity to provide these initial comments and looks forward to working with Commission Staff and other stakeholders on this project.

Date: April 29, 2022

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²⁰ See *Application of City of Lubbock, by and Through Lubbock Power & Light, for Authority to Establish Initial Wholesale Transmission Rates and Tariffs*, Docket No. 51100, Order at 14 of 16

²¹ See *Application of the City of Lubbock Through Lubbock Power and Light for Authority to Connect a Portion of its System with the Electric Reliability Council of Texas*, Final Order at p. 36 (Mar. 15, 2018)

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