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PUC PROJECT NO. 53198

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

TEXAS INDUSTRIAL ENERGY CONSUMERS' COMMENTS

I. INTRODUCTION

Texas Industrial Energy Consumers (TIEC) appreciates the opportunity to comment on the appropriate process for evaluating the transfer of roughly 190 MW load served by the City of Lubbock, acting by and through Lubbock Power & Light (LP&L), into the ERCOT system.

TIEC participated in the ERCOT integration cases for the former Cap Rock service area (*Cap Rock*),¹ the previous LP&L load transfer (*LP&L*),² and the Rayburn Electric Cooperative (*Rayburn*) transfer.³ Each of these cases established important factors the Commission must evaluate to ensure that other customers are not adversely impacted by a request to integrate existing load into ERCOT. The standards and precedent from these cases should ultimately be codified in a rule to provide clear guidance for future load transfer requests. The Commission began this process in Project No. 48249, *Rulemaking Relating to the Transfer of Load Into or Out of the Electric Reliability Council of Texas Power Region*, but that project has become dormant due to other intervening Commission priorities. Codifying the load transfer process through a comprehensive rulemaking will provide regulatory certainty, reduce future disputes about the scope and timing of analyses of the transfer impacts, and establish a clear standard for approving or imposing conditions on a proposed load transfer.

¹ *Application of Sharyland Utilities, LP to Approve Study and Plan Pursuant to the Commission's Order in Docket No 37990 Concerning the Movement of Sharyland's Stanton and Colorado City Divisions from the Southwest Power Pool to ERCOT*, Docket No. 39070, Preliminary Order (Feb. 28, 2011).

² *Application of the City of Lubbock through Lubbock Power & Light for Authority to Connect a Portion of its System with ERCOT*, Docket No. 47576, Preliminary Order (Sept. 29, 2017).

³ *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, Final Order (Mar. 13, 2019).

Until a rule is adopted, however, the overriding goal for this and all load transfers should be to hold all other customers harmless against cost increases or other impacts of the transfer.⁴ In the *Cap Rock*,⁵ *LP&L*,⁶ and *Rayburn*⁷ cases, the Commission consistently required the transferring utility to ensure that customers in both ERCOT and SPP were protected against any cost or operational impacts of proposed the transfer. This ultimate objective should dictate what studies are needed in advance of LP&L's proposed load transfer. Evaluating the "net" impacts of a proposed load transfer for non-transferring customers in ERCOT and, separately, the SPP will enable the Commission to ensure that the overall transfer is in the public interest. Pre-transfer studies should be designed to help the parties and the Commission understand the impacts of the transfer for other customers, including projected changes in wholesale transmission charges as a result of additional (or avoided) transmission buildout, the reliability impacts of incorporating the transferred load, and projected impacts on customers' bills.

Importantly, to understand how a proposed load transfer will impact end-use customers, the Commission should require ERCOT to coordinate with SPP to analyze the costs and benefits

⁴ Docket No. 47576, Tr. (Chairman Walker Comments) at 453:3-13 (Jan. 18, 2018) ("I think one of my holdups... ever since I've been dealing with the Lubbock issue... is that I've always thought that their decision to move – their citizens are clearly getting a significant benefit from this. And *I've never thought that other ratepayers in Texas*, be it in the SWEPCO area, SPS area, Golden Spread area, or all of these other co-ops and munis up in the panhandle, *should have to pay for them to receive those benefits.*") (emphasis added).

⁵ Docket No. 39070, Final Order at 18 (July 11, 2011) ("transfer of the load of the Stanton and Colorado City divisions from SPP to ERCOT, including related transmission facilities and construction of additional transmission facilities as set forth in the Agreed Transfer Option, is not expected to significantly impact other market participants in ERCOT"); *id.* at 14 ("[i]t is not expected that the transfer of Sharyland's Stanton and Colorado City division load and assets from SPP to ERCOT will result in existing ERCOT customers paying higher annual net transmission payments."); *id.* at 16 (finding that the transfer would avoid significant planned transmission in SPP, thereby benefitting other SPP customers).

⁶ Docket No. 47576, Final Order at FoF 32 (Mar. 15, 2018) ("The signatories agree that the integration of the affected load into ERCOT, consistent with the terms of the agreement, is in the public interest, *reasonably holds customers in ERCOT and SPP harmless*, and should be approved.") (emphasis added).

⁷ Docket No. 48400, Final Order at FoF 84 (Mar. 13, 2019) ("Rayburn's payment of \$4.5 million each year for five years to ERCOT wholesale transmission customers reasonably indemnifies customers in the ERCOT region for the expected net impacts of the Rayburn integration."); *id.* at FoF 86 ("It is reasonable that Rayburn not be required in this docket to make any hold harmless payments to SWEPCO or any other SPP utility as a result of the Rayburn integration.").

of the proposed transition, consistent with the prior LP&L load transfer proceeding.⁸ As before, ERCOT's study should consider the impact that any new (or avoided) transmission facilities would have on wholesale transmission service charges, as well as energy cost impacts of removing/adding the transferring load for other customers.⁹ These analyses are essential to ensure that the benefits and burdens of a load transfer are aligned, and to identify the need for any hold-harmless payments or other conditions. The studies should also evaluate reliability impacts, changes to the cost of ancillary services, and impacts on congestion rights, which can also have a direct impact on other customers.

TIEC addresses each of Commission Staff's questions in additional detail below.

II. COMMENTS

1. **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 or why not.**
2. **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.**
4. **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.**

ERCOT and SPP should conduct coordinated impact analyses similar to the studies the Commission ordered in the last LP&L load transfer, which dealt with approximately 470 MW of LP&L's load.¹⁰ Importantly, the studies conducted in that proceeding did not evaluate the

⁸ See Project No. 45633, Memo from Chairman Nelson (Jul. 19, 2016) ("A joint study between ERCOT and SPP on the tangible costs and benefits could mitigate the issues that arise when studies are conducted by different parties.").

⁹ E.g. Docket No. 47576, ERCOT's Response to Order No. 4 at Attachment B, page 2 (Oct. 2, 2017) (summarizing the results of ERCOT's studies into both changes in production costs and impacts on average locational marginal prices (LMPs)). TIEC notes that for ERCOT customers, pricing impacts are the most relevant analysis because customers do not pay production costs, they pay market clearing prices. However, studies of both were done in the prior LP&L case.

¹⁰ See *id.*

remaining 190 MW of load that LP&L is now proposing to transfer.¹¹ In LP&L's prior integration case, ERCOT coordinated with SPP¹² to conduct a wide-ranging study of the direct and indirect impacts of that transfer on other customers, including wholesale transmission cost impacts, production cost impacts, consumer pricing impacts, reliability impacts, and impacts on congestion and ancillary services.¹³ While ERCOT and SPP conducted separate studies, they were based on a common set of assumptions that allowed the Commission to easily translate the results. Taken together, ERCOT and SPP's studies provided the Commission with objective, third-party analyses of all of the direct and indirect costs and benefits of transferring a portion of LP&L's load. A similar analysis is justified for any additional load transfer, regardless of size. Even a small load transfer in the wrong place could significantly impact other customers due to transmission congestion, generation availability, or other system issues. Additionally, the costs of fully vetting a load transfer proposal are minimal compared to the potential impacts. For instance, in Docket No. 47576, the cost of *both* studies (including the initial coordination regarding assumptions that would not need to be repeated) amounted to approximately \$250,000,¹⁴ which is a tiny fraction of the \$134 million in make-whole payments that LP&L ultimately agreed to make to customers in ERCOT and SPP.¹⁵

If the Commission allows a more limited study in this instance, it is still essential to accurately evaluate the costs of the proposed transfer for customers. This includes evaluating changes in projected wholesale transmission costs due to new (or avoided) facilities, and energy cost impacts for customers. The most direct result of LP&L's transfer is that it will change transmission needs in ERCOT and SPP, and the Commission should ensure that the transferring customers bear any incremental or stranded transmission costs. ERCOT and SPP should also

¹¹ See *id.* at Attachment B, pages 1-2.

¹² See *id.* at Attachment B, page 2 ("It was decided at the July 20, 2016 Open Meeting that ERCOT and SPP would coordinate on the parameters for utilizing a single methodology for determining costs and benefits, while conducting individual studies on the impacts of the proposed LP&L transition out of SPP and into the ERCOT region.").

¹³ See *id.* at Attachment B, page 4 (listing twelve study topics that were requested by the Commission, eleven of which were addressed in the study).

¹⁴ Docket No. 47576, Final Order at FoF 54.

¹⁵ *Id.* at FoF 36, 38.

conduct separate LMP-based pricing analyses to evaluate the potential cost impacts on other customers. Critically, wholesale prices in both the SPP and ERCOT are determined by a marginal energy bid or administrative scarcity pricing—not actual production costs (i.e., the average cost of fuel). Accordingly, a consumer pricing analysis, rather than a production cost analysis, is imperative to evaluate the impacts of a proposed transfer on existing customers.¹⁶ It may also be necessary for certain impacted Texas utilities, such as Southwestern Public Service Company (SPS) to use the SPP’s analysis to separately calculate production cost impacts for its retail customers, since LMP impacts may create either additional fuel costs for SPS customers or additional revenues to SPS’s generating fleet.

3. 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.

The Commission should allow parties to suggest additional studies based on ERCOT’s initial load integration study. It is possible that ERCOT’s load integration study could reveal other issues that would be helpful to analyze in advance of a load transfer proceeding.

5. Please provide any other comments you have regarding LP&L’s planned load transfer.

Although the Commission has developed a general framework for permanent load transfers through prior contested cases, TIEC believes that the market would benefit significantly from clear guidance on the application requirements and an explicit standard of review. Accordingly, rather than continuing to review load transfer requests on an *ad hoc* basis, the Commission should consider resuming Project No. 48249, *Rulemaking Regarding Load Transfer Between Power Regions*. Specifically, the Commission should codify its prior requirements on ISO/RTO studies, as well as the “no harm” standard of review that it has uniformly applied in recent load transfer cases. A formal Commission rule would promote regulatory certainty by providing all utilities considering a load transfer, as well as other parties, with clear expectations and a roadmap for the transfer process.

¹⁶ While regulated utilities in the SPP typically charge customers actual fuel costs through a fuel factor, this includes costs (and revenues) from wholesale transactions in the competitive market, which are LMP-based. As a result a consumer pricing analysis is appropriate for both ERCOT and the SPP.

III. CONCLUSION

TIEC appreciates the opportunity to file these comments and looks forward to working with the Commission Staff and other parties on this project as it moves forward.

Respectfully submitted,

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