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PROJECT NO. 55718

RELIABILITY PLAN FOR THE	§	PUBLIC UTILITY COMMISSION
PERMIAN BASIN UNDER PURA §39.167	§	
	§	OF TEXAS

**LONE STAR TRANSMISSION, LLC'S RESPONSE TO COMMISSION STAFF
QUESTIONS REGARDING ERCOT'S RELIABILITY PLAN FOR THE PERMIAN
BASIN**

Lone Star Transmission LLC ("Lone Star") submits the following comments in response to Public Utility Commission of Texas ("Commission") Staff questions filed in this proceeding on July 30, 2024. Lone Star appreciates the work by Electric Reliability Council of Texas ("ERCOT") staff in the development of the study report, as well as Commission Staff in developing questions on this important issue. Lone Star looks forward to the opportunity to participate in the development of a final reliability plan for the Permian Basin transmission system in the ERCOT region.

I. RESPONSES TO COMMISSION STAFF'S QUESTIONS

House Bill 5066 ("HB 5066") enacted by the 88th Texas Legislature required the Commission to direct ERCOT to develop a reliability plan for the Permian Basin Region. In its order directing ERCOT, the Commission required that the reliability plan developed by ERCOT address the factors set forth in Public Utility Regulatory Act ("PURA") § 39.167(b). Specifically, ERCOT's reliability plan must: (1) address extending transmission service to areas where mineral resources have been found; (2) address increasing available capacity to meet forecasted load; and (3) provide available infrastructure to reduce interconnection times in areas without access to transmission service.¹ In ensuring the timely development of the plan, ERCOT was required to work with stakeholders in gathering the necessary data to inform the plan. ERCOT filed its final reliability

¹ Tex. H.B. 5066, 88th Leg., R.S. (2023), § 3 (creating new Texas Utilities Code section 39.167).

plan at the Commission on July 25, 2024. With the goals set forth by the legislation and subsequent Commission direction in mind, Lone Star provides the following responses to Commission Staff's questions.

PLAN

Question 1: Should the Commission approve a *phased* plan for Permian Basin? In other words, should there be a first phase to be implemented by 2030 and a second phase to be implemented by 2038? Or should the Commission approve a single, complete plan?

Answer 1: Given the increased demand realized today, as well as ERCOT's finding that 90% of the forecasted demand modeled for the area in 2038 (26,400 MW) will be realized by 2030 (23,659 MW),² a unified, comprehensive strategy is crucial for achieving the desired outcomes for a Permian Basin reliability plan. A two-phased approach could increase the in-service timelines of the projects, which may delay the benefits and outcomes desired by the Legislature in passing HB 5066. Regulatory certainty for both regulated entities responsible for building these projects as well as customers in the Permian Basin will be critical for future business decisions. Any uncertainty around project timing and viability will hinder a businesses' ability to make those critical investment decisions and be counter to a goal of HB 5066 in reducing interconnection times. If priorities for transmission buildout in the Permian Basin continually change but those changes are not well-integrated during a phased-in approach it could create a much more complicated transmission planning process for ERCOT and market participants going forward, not to mention further delays.

² ERCOT (2024), *ERCOT Permian Basin Reliability Plan Study* Retrieved from <https://www.ercot.com/files/docs/2024/07/25/2024-ERCOT-Permian-Basin-Reliability-Plan-Study-Report.zip>

Question 2: To expedite the buildout of import paths into the Permian Basin while research and discussion of the optimal use of an Extra High Voltage (EHV) network in ERCOT system is underway in Project No. 55249, should this reliability plan consider a mixture of 345 kV and EHV options?

Answer 2: A stated goal of the Permian Basin reliability plan is to expedite the buildout of transmission into an already underserved and growing Permian Basin. Given the increased initial costs of EHV, novelty in the ERCOT system, and expediency needs to support the existing and increasing load growth, 345 kV is the appropriate voltage to solve this specific issue. Given the long-term experience of Lone Star's affiliates with owning and operating EHV transmission, Lone Star welcomes the discussion around the optimal use of EHV on the ERCOT system. A more appropriate venue for the EHV conversation is at the ERCOT stakeholder process as they develop the Regional Transmission Plan. This allows stakeholders the chance to better evaluate the optimal use of EHV from a systemwide perspective. As more is learned about EHV network configurations and costs, adjustments can be made without having fully committed to a single solution that provides long-term benefits to ERCOT.

Question 3: What would be the impact to implementation of the plan if the Commission approves the plan for all the common local transmission projects to permit the utilities to expeditiously file CCN applications but delayed the approval of the import paths until after ERCOT completes its EHV study in 2024? Please address in detail both the benefits and risks of this potential process.

Answer 3: Commission approval of the plan to permit utilities to expeditiously file certificate of convenience and necessity ("CCN") applications for common local transmission projects but delay in the approval of all import paths until after the ERCOT completes its EHV study in 2024 could introduce uncertainty and be counter to the goals of HB 5066. Without proper coordination, the risk posed by decoupling local upgrades from import paths could introduce inefficiencies, further delaying or possibly misaligning future import needs. This scenario also provides the potential for under or over build if import paths and local upgrades are not considered

together. If the Commission did choose this path, Lone Star believes it prudent to keep all local and import paths associated with 2030 approved as one plan and further evaluate the identified 2038 import paths in ERCOT's report.

AFFORDABILITY AND COST

Question 4: With the understanding that the cost of these projects will be passed along to all the ratepayers in ERCOT, what considerations should the Commission address to minimize rate impacts? Are there any guardrails the Commission should implement?

Answer 4: The Commission currently has processes in place to ensure the rate impacts of new projects on all ratepayers are prudent by reviewing the investment made for these projects in a future rate case proceeding. To maintain transparency and accountability all transmission service providers ("TSPs") are currently required to file Monthly Construction Reports at the Commission. If the Commission wanted to augment its existing mechanisms, it could require regular reporting and construction updates specific to projects related to the Permian Basin reliability plan in this docket or create a separate docket for such a purpose. This could help ensure more public facing accountability and transparency. While competitive transmission solicitation has been successful in providing both downward cost pressure and innovation in other Regional Transmission Organizations around the country, Texas does not possess a similar process to utilize to help benefit customers through lower costs.

Question 5: Are there specific costs not captured in ERCOT's study, such as reactive compensation devices, auto transformers for EHV if the Commission chooses EHV, and series compensation equipment? If so, what are those costs?

Answer 5: The ERCOT study contained high level cost estimates for EHV typical transmission voltage equipment. Much of the EHV estimates were based on the MISO 2024 Transmission Cost Estimation Guide. It might be more informative to evaluate those costs based on the answers provided to Commission Staff's questions in Project No. 55249 Regional Transmission Reliability Plans.

Question 6: In approving this plan, how can the Commission ensure cost effectiveness for the listed projects? Please explain in detail and specifically address risks and offer potential mitigation solutions relating to:

- a) Load forecast, because this will be the first time the Commission will rely on load forecast methodology based on PURA § 37.056(c-l).**

Answer 6a: As we saw with the Competitive Renewable Energy Zone (“CREZ”) initiative, whether the load forecast is 100% accurate, the proposed infrastructure will be utilized in the long term to help provide reliable power to serve load, to alleviate existing congestion, and provide for additional low-cost power to reach the rest of the ERCOT market.

- b) Cost estimates, because projects will not be vetted through ERCOT’s Regional Planning Group, the stakeholder committee that regularly reviews proposed transmission projects.**

Answer 6b: Should the Commission desire additional scrutiny on proposed project costs in the Permian Basin reliability plan, it could engage an independent, third party with engineering, procurement, and construction expertise in the industry to review costs prior to final approval by the Commission. This review could be done in the CCN application process, however given the 180-day timeline for new CCN approval, additional project cost review could jeopardize the aggressive timeline for implementation of the Permian Basin reliability plan. Given the lack of a statutory deadline for adoption of a Permian Basin reliability plan, the Commission has additional flexibility to ensure costs are appropriately considered. Additionally, in response to question number four, Lone Star believes current processes at the Commission provide an opportunity for scrutiny as well as transparency.

CCN PROCESS

Question 7: How should the Commission address any project in the plan in which more than one Transmission Service Provider can claim the legal right to build it?

Answer 7: Where there is a dispute about which TSP has a right to build a project, the Commission could open a new docket, such as the CREZ proceeding (Docket No. 35665), to determine which eligible TSPs should build the project. TSPs would be able to file appropriate supporting information in that docket as to their right to build the proposed project and the Commission will have a venue to request additional clarification to resolve the dispute. As noted in the response to Question 6, the Commission does have flexibility on implementation timelines to ensure the appropriate entities are building proposed projects. Additionally, PURA § 37.056 provides clarity as to how the Commission should proceed where new transmission facilities interconnect with existing transmission facilities.

Question 8: Should the Commission consider any procedural changes to its traditional CCN process to account for the complexity and magnitude of the CCN cases?

Answer 8: Given the complexity of the Permian Basin reliability plan and magnitude of the CCNs and processing of those applications, the Commission could consider giving enhanced guidance to utilities on how best to provide an appropriate forum for impacted individuals and landowners given the CCN timeline of 180 days set forth in PURA § 37.057.

FINAL ORDER

Question 9: What, if any, specific items should the Commission's final order include to provide clear and consistent directions for the implementation of the plan to the TSPs, ERCOT, and Staff?

Answer 9: To ensure that the Commission's final order is detailed and comprehensive it should clearly define the scope and objectives of the approved plan, including specific goals, timelines, expected outcomes, and any additional reporting requirements. It should also list the TSPs authorized to undertake specific components of the project and include a communication

plan for ongoing updates to stakeholders, including how progress reports will be shared. The Commission could also establish a coordination mechanism, such as regular meetings and reporting structures, and clearly delineate the roles and responsibilities of TSPs, ERCOT, and Commission Staff in implementation of the reliability plan.

OPEN QUESTIONS

Question 10: What unintended impacts or risks might arise out of approving or implementing ERCOT's proposed plan? How could they be avoided or mitigated? Are there any lessons from the Competitive Renewable Energy Zones implementation that the Commission should consider?

Answer 10: The legislation creating the CREZ process was passed in 2005. The proceedings at the Commission to implement that legislation ran into 2009. While ambitious at the time, the CREZ process provides good insight into the complexity of what the Commission is attempting to execute in a compressed time frame. Similar to CREZ, the Commission must determine the transmission requirements necessary to meet a legislative directive—existing and future load growth in the Permian Basin—and must make decisions on the timing of various projects. It must also determine if the proposed projects are the correct solution to the problem, weigh potential alternatives that provide additional benefit, and consider the appropriate TSPs to build these projects. Finally, the Commission must determine if the public interest is served by moving to higher transmission voltages instead of, or in conjunction with, the existing ERCOT system. What previously took the Commission multiple years, this Commission is attempting to decide in a few months, according to the current proposed schedule. Inevitably, the complexity of what is before the Commission will determine the additional time needed for review and the current timeline for approving this reliability plan may need to be revisited. The CREZ process highlighted the importance of thorough planning and coordination among various stakeholders as well as open, transparent proceedings at the Commission for all stakeholders to participate.

Question 11: Are there any other aspects of ERCOT's proposed plan the Commission should consider?

Answer 11: While updates on actions taken by ERCOT to implement the Commission order from December 14, 2023, and the proposed reliability plan were presented publicly, the expeditious timeline may have prevented some market participants from fully analyzing the reliability plan until local upgrades and initial import paths were presented on May 14, 2024. As a result, there are potential alternatives that provide real, tangible reliability benefits that may have not been presented in the process timeline. The Commission should consider those alternatives in this, or another, proceeding.

II. CONCLUSION

Lone Star reiterates its appreciation of the opportunity to offer these comments and the work done so far, and looks forward to working with the Commission, Commission Staff, ERCOT, and other Stakeholders on the development of the Permian Basin reliability plan.

Respectfully submitted,

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EXECUTIVE SUMMARY OF LONE STAR TRANSMISSION, LLC'S COMMENTS ON PERMIAN BASIN RELIABILITY PLAN

- While both approaches have benefits and drawbacks, given the increased demand realized today as well as forecasted demand, a unified, comprehensive strategy is crucial for achieving the desired outcomes effectively for a Permian Basin reliability plan.
- Attempting to shoehorn EHV into the Permian Basin process when there are substantial unknowns that need to be studied and addressed will add unnecessary delay to infrastructure build out critical to the massive load growth in West Texas.
- The approach of separating the approval processes for local transmission projects and import paths introduces risks related to coordination, future capacity planning, and regulatory uncertainty. At a minimum, the Commission should keep together import paths as well as local projects identified for 2030.
- The Commission should lean on internal processes already established at the Commission to track cost and enforce prudence.
- High level cost estimates were provided for EHV and typical transmission voltage equipment in ERCOT's study. For actuals regarding EHV, answers provided to Staff's questions in Project No. 55249, "Regional Transmission Reliability Plans," might be more informative.
- Given the complexity of the Permian Basin reliability plan and magnitude of the CCN process it might be prudent for the Commission to issue enhanced guidance to utilities on how best to provide an appropriate forum for impacted landowners.
- To ensure that the Commission's final order is detailed and comprehensive it should clearly define the scope and objectives of the approved Permian Basin reliability plan, including specific goals for TSPs, timelines, expected outcomes, and any additional reporting requirements.
- The CREZ process highlighted the importance of thorough planning and coordination among various stakeholders. The Commission should maintain comprehensive planning and clear communication with stakeholders and the public moving forward.