



## **Filing Receipt**

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**PROJECT NO. 55718**

<b>RELIABILITY PLAN FOR THE</b>	<b>§</b>	<b>BEFORE THE</b>
<b>PERMIAN BASIN REGION UNDER</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>PURA § 39.167</b>	<b>§</b>	<b>OF TEXAS</b>

**STEERING COMMITTEE OF CITIES SERVED BY ONCOR AND  
TEXAS COALITION FOR AFFORDABLE POWER'S COMMENTS ON THE PUCT'S  
DETERMINATION ON EXTRA HIGH VOLTAGE IN THE ERCOT REGION**

COMES NOW, the Steering Committee of Cities Served by Oncor (OCSC) and Texas Coalition for Affordable Power (TCAP) (collectively, Cities) and file these comments in response to the Staff (Staff) of the Public Utility of Commission of Texas' (Commission) Project No. 55718 questions regarding Commission's Determination of Extra High Voltage (EHV) in the Electric Reliability Council of Texas (ERCOT) Region. Staff requested comments by February 14, 2025.<sup>1</sup> Therefore, these comments are timely filed.

OCSC and TCAP are groups of over 160 municipalities and political subdivisions that serve a unique stakeholder role. In one capacity, Cities are power consumers that purchase electricity for various uses such as police, public buildings, water and wastewater, street lighting, and emergency coordination. Public funds finance these functions—Cities, as stewards of these funds, thus have an interest in competitive electricity costs. Cities also provide emergency services critical to the health and safety of their citizens. Because a reliable grid supports these emergency services, Cities support cost-effective policy that enhances reliability. OCSC and TCAP, therefore, have an interest in the major electricity market design concepts at issue in this project.

**I. EXECUTIVE SUMMARY**

As requested, Cities have provided a one-page Executive Summary at the end of this submission.

**II. GENERAL COMMENTS**

Cities appreciate ERCOT's efforts to produce cost analysis related to both the 2024 Regional Transmission Plan 345-kV Plan (RTP) and 765-kV Strategic Transmission Expansion Plan (TX 765-kV STEP). Commission Staff's questions, however, acknowledge uncertainties in

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<sup>1</sup> Staff Questions on PUCT's Determination of using EHV in the Electric Reliability Council of Texas (ERCOT) Region (Jan. 31, 2025).

the Permian Basin load forecasts.<sup>2</sup> Additionally, ERCOT’s economic analysis excludes large load considerations and relies on unvalidated Transmission Service Provider (TSP) officer letters.<sup>3</sup> Thus, Cities are concerned the Commission lacks sufficient analysis supporting either the RTP or TX 765-kV STEP, and urge the Commission to proceed cautiously before it implements what ERCOT considers a “strategic transformative step in power infrastructure....”<sup>4</sup>

The Commission, whenever possible, should hedge against load uncertainty. It should encourage staging that allows TSPs to prioritize infrastructure necessary to meet immediate, rather than forecasted, load demand. The Commission could consider off ramps that allow the Commission to pause RTP or TX 765-kV STEP implementation if forecasted load fails to materialize. Finally, the Commission should validate TSP’s load forecasts. Indeed, the Senate will consider recently introduced legislation requiring standard large load reporting requirements, further demonstrating the need for a more transparent and uniform load verification process.<sup>5</sup>

Cities previously cautioned against TSP load forecasts and potentially stranded costs.<sup>6</sup> TSPs, and thus ERCOT, assume significant oil and gas, hydrogen-electrolysis, and data center related load growth by 2038.<sup>7</sup> But these load forecasts are inherently speculative—oil and gas demand fluctuates, hydrogen-electrolysis is a nascent technology, and data centers could become more energy efficient.<sup>8</sup> Thus, if the Commission relies on this speculation now, it potentially exposes ratepayers to stranded costs far beyond 2038. The Senate Committee on Business & Commerce similarly grappled with TX 765-kV STEP costs at its February 4, 2025, hearing,

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<sup>2</sup> *Id.* at 2.

<sup>3</sup> ERCOT’s 2024 Regional Transmission Plan 345-kV Plan and Texas 765-kV Strategic Transmission Expansion Plan Comparison at 18 (Jan. 24, 2025) (Comparison Document).

<sup>4</sup> *Id.* at 22.

<sup>5</sup> See Tex. S.B. 6, 89th Leg. R.S. (2025). (proposing Tex. Util. Code § 37.0561 to establish standards that “require each large load customer seeking interconnection to disclose to the interconnecting electric utility or municipally owned utility whether the customer is pursuing a duplicate request for electric service ...”).

<sup>6</sup> Comments of the Steering Committee of Cities Served by Oncor and Texas Coalition for Affordable Power (Aug. 9, 2024).

<sup>7</sup> ERCOT Permian Basin Reliability Plan Study Report, Cover Letter at 1-2 (Jul. 25, 2024).

<sup>8</sup> See Thomas Coughlin, *Deepseek AI Will Increase Data Storage and Make AI More Accessible*, FORBES (Feb. 6, 2025), <https://www.forbes.com/sites/tomcoughlin/2025/02/06/deepseek-ai-will-increase-data-storage-and-make-ai-more-accessible/>.

comparing these risks to Competitive Renewable Energy Zone related cost risks.<sup>9</sup> More recently, at the Commission’s February 13, 2025, Open Meeting, ERCOT CEO Pablo Vegas and Chair Gleeson addressed inconsistent TSP officer letters and how a lack of transparency and uniform load reporting standards may exaggerate load forecasts.<sup>10</sup> Cities share these concerns. Thus, Cities generally urge the Commission to proceed in a manner that best hedges against load uncertainties and mitigates stranded costs.

### **III. RESPONSES TO STAFF’S QUESTIONS**

#### **1. In ERCOT’s 345 kV-765 kV comparison document, the total capital cost estimates for each voltage’s 2024 Regional Transmission Plan are comparatively close.**

##### **a. What other ongoing cost impacts should be given significant weight in this decision?**

The TX 765-kV STEP’s impact on the ERCOT reliability standard magnitude criterion should be given significant weight. ERCOT determines the reliability standard, in part, based on “the maximum number of megawatts of load shed that can be safely rotated during a loss of load event....”<sup>11</sup> A lower “Magnitude” figure inflates the ERCOT reliability standard, and thus likely imposes greater costs on consumers.<sup>12</sup> The Commission should therefore determine whether the TX 765-kV STEP supports safe load shed and increases the reliability standard’s magnitude criterion. If it does, TX 765-kV STEP would likely insulate ERCOT consumers from reliability standard related costs. This would be a tangential—but potentially significant—cost benefit associated with the TX 765-kV STEP.

#### **4. Given that there are uncertainties in long-term load forecasts as well as load and generation types and siting, which plan would provide the most flexibility for ERCOT region?**

Cities recommend the Commission adopt a plan that promotes staging—specifically, that allows TSPs to prioritize infrastructure required for more immediate load needs—thereby

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<sup>9</sup> Senate Committee on Business and Commerce at 1:05:20 (Feb. 4, 2025), <https://senate.texas.gov/videoplayer.php?vid=21057&lang=en> (members stating the CREZ was “supposed to cost about \$2 billion” but “ended up costing like \$10...and is still a line item on all our bills today” and asking why the TX 765-kV STEP would not result in these issues).

<sup>10</sup> PUC Open Meeting at 28:30 (Feb. 13, 2025), [https://www.adminmonitor.com/tx/puct/open\\_meeting/20250213/](https://www.adminmonitor.com/tx/puct/open_meeting/20250213/).

<sup>11</sup> 16 Tex. Admin. Code (TAC) § 25.508(b)(3).

<sup>12</sup> 16 TAC § 25.508(c)(3)(C)(i) (requiring ERCOT to “provide the commission with a menu of proposed recommended market design changes...that are intended to address the identified deficiencies...with the expected system costs associated with each of its proposed recommended changes” if the ERCOT grid does not meet the reliability standard magnitude criterion).

providing the most flexibility. The Commission ordered ERCOT to work “with the TSPs...to identify the import paths that will be needed to serve load in 2030 so that the preparation of those CCN applications is prioritized by the applicable TSPs.”<sup>13</sup> Cities agree that TSPs should prioritize infrastructure required for more immediate load needs. But ERCOT’s Comparison document does not specify which plan provides greater flexibility regarding the order of infrastructure construction or upgrades. If one plan provides greater construction flexibility, the Commission should select that plan. This would allow a TDSP to defer construction needed only to serve speculative load—that may never materialize—and thus mitigate potentially stranded costs.

**5. What are the pros and cons of deciding to utilize 765 kV infrastructure in the ERCOT region now versus waiting to implement it in the future?**

A con is that the TX 765-kV STEP Plan’s economic benefits materialize on an extended horizon while consumers incur TX 765-kV STEP Plan costs up front.<sup>14</sup> Significant portions of the TX 765-kV STEP, however, rely on speculative load and thus may ultimately be unnecessary. Accordingly, compared to the RTP, there is greater risk that the TX 765-kV STEP Plan’s cost benefits fail to materialize.

**6. Are there any other benefits or drawbacks that have not been brought up and addressed which are critically important for Commission to consider? Please describe in detail.**

A drawback is the lack of robust cost analysis related to either the RTP or TX 765-kV STEP—a drawback that undermines ERCOT’s Comparison document. ERCOT’s Comparison document relies on interconnection requests included in TSP officer letters that ERCOT collected for the first time last year. These officer letters, moreover, were subject to no significant validation. One form of validation is as simple as reviewing the TSP filings to locate duplicate interconnection requests from a single entity.

Cities are concerned that, without a transparent and uniform verification process, the officer letters provide an insufficient basis for ERCOT’s proposed “strategic transformative step in power infrastructure....”<sup>15</sup> The Commission, before deciding whether to proceed with the RTP or TX 765-kV STEP, should consider more robust cost analysis that relies on refreshed and validated TSP officer letters.

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<sup>13</sup> Order Approving the Reliability Plan for the Permian Basin Region at 1 (Oct. 7, 2024).

<sup>14</sup> ERCOT’s Comparison Document, Attachment A at vii.

<sup>15</sup> *Id.* at 22.

#### **IV. CONCLUSION**

OCSC and TCAP appreciate the opportunity to comment on Commission Staff's Questions regarding EHV transmission in the ERCOT Region. Cities urge the Commission to proceed in a manner that best mitigates potentially stranded costs. In particular, the Commission should insist on a renewed set of officer letters, subject to robust validation. The Commission should also assure that the staging of various projects considers load uncertainty and the potential for stranded costs. OCSC and TCAP look forward to future work sessions, discussions, and opportunities for stakeholder engagement regarding the Permian Basin Reliability Plan.

Date: February 14, 2025

Respectfully submitted,

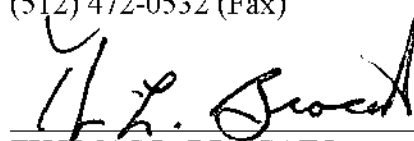
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**STEERING COMMITTEE OF CITIES SERVED BY ONCOR AND  
TEXAS COALITION FOR AFFORDABLE POWER'S EXECUTIVE SUMMARY**

- Cities are concerned that the Commission lacks sufficient analysis supporting either the RTP or TX 765-kV STEP, and thus urge the Commission to proceed cautiously before it implements either plan.
- The Commission, whenever possible, should hedge against load uncertainty and mitigate risk of stranded costs.
  - The Commission should encourage staging that allows TSPs to prioritize infrastructure necessary to meet immediate, rather than forecasted, load demand.
  - The Commission could consider off ramps that allow the Commission to pause RTP or TX 765-kV STEP implementation if forecasted load fails to materialize.
  - The Commission should validate TSP's load forecasts.
- The TX 765-kV STEP's impact on the ERCOT reliability standard magnitude criterion should be given significant weight.
- A con of the TX 765-kV STEP Plan is that its economic benefits materialize on an extended horizon, while consumers incur TX 765-kV STEP Plan costs up front. Significant portions of the TX 765-kV STEP rely on speculative load and thus may ultimately be unnecessary. Accordingly, compared to the RTP, there is greater risk that the TX 765-kV STEP Plan's cost benefits fail to materialize.
- One drawback of ERCOT's Comparison Document is the lack of robust cost analysis related to either the RTP or TX 765-kV STEP. ERCOT's Comparison document relies on interconnection requests included in TSP officer letters that ERCOT collected for the first time last year. These officer letters, moreover, were subject to no significant validation.
  - Cities are concerned that, without a transparent and uniform verification process, the officer letters provide an insufficient basis for the Commission's decision to proceed with either the TRP or TX 765-kV STEP.