**Oncor Comments Regarding Southern Cross Transmission Participation in the ERCOT Member Sectors**

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Submitted by Elizabeth Barton Jones

Oncor provided written comments on three issues subsequent to the September 7, 2017 ERCOT Workshop on Registration of Southern Cross Transmission LLC - Owner/Operator of a Merchant DC Tie (SCT). ERCOT is acting pursuant to an order issued by the Public Utility Commission of Texas (PUC) in Docket No. 45624. Oncor recommended:

1. Creation of DC Tie Operator as a new type of market participant. NPRR 857 addresses this recommendation. As previously noted, Oncor expects that AEP, ETT, Sharyland, and Southern Cross Transmission (SCT) would each register in this category, in addition to their other applicable functions such as Transmission Service Provider.
2. Evaluation of ERCOT systems to determine which ones SCT must necessarily access in its capacity as a DC Tie Operator, followed by modification of governing documents, such as Nodal Protocols and Guides, as needed. Oncor believes this activity to be pending.
3. Amendment to the ERCOT Bylaws to designate the default membership segment for a DC Tie Operator, absent the entity’s qualification in another segment.

At the TAC meeting conducted on February 22, 2018, ERCOT presented ERCOT Bylaws revisions, including a memorandum dated February 15, 2018. A lively discussion ensued. Members of both the IOU Segment and the IPM Segment articulated the differences between the SCT business model and those of the other Segment members.

Oncor continues to believe that SCT is better suited for membership in the Independent Power Marketer (IPM) Segment and is ill-suited for membership in the IOU Segment for the following reasons:

1. The IPM Segment has historically included members that could also have joined the Independent Retailer (REP) or Independent Generator Segments, such as Reliant and Tenaska. Many IPM Segment members are investor-owned. Credentials for membership in the IPM Segment currently include PUC registration as a power marketer, but such registration (or the ability to take title to electricity) need not limit the construct of the ERCOT IPM Segment. Furthermore, SCT aligns more clearly with the interests of the IPM Segment than the IOU Segment because SCT’s business model is dependent on the sale and purchase of power across the DC tie it owns. Unlike other members of the IOU Segment, SCT cannot receive revenue through the Transmission Cost of Service (TCOS) mechanism and is not rate-regulated by the PUC.
2. IOU Segment corporate members, and their affiliates, are precluded from membership in any other segment, absent an exception approved by the ERCOT Board of Directors. This isolation exists in no other segment and was designed to limit the market participant power formerly integrated utilities might otherwise exercise. The current members of the IOU Segment are all either transmission utilities (TSPs) or transmission and distribution utilities (TDSPs). Each member has open-access rights and responsibilities pursuant to the Texas Public Utility Regulatory Act (PURA) and reliability responsibilities pursuant to Section 215 of the Federal Power Act.
3. SCT is subject to FERC open access and code-of-conduct obligations that may be similar to, but are different from, obligations imposed by the PUC. Current IOU Segment members all are subject PUC oversight of their open-access obligations and to a PUC-approved code of conduct. IOU Segment members have different, and probably greater, obligations with respect to planning and operations in the ERCOT Interconnection than SCT ever will.
4. The ERCOT CIM model contains transmission elements owned by IOUs, municipally-owned utilities, cooperatives, generators, and even retail customers. SCT’s transmission ownership, by itself, does not align it with a particular sector. If “optics matter”, SCT’s inclusion in any Segment is not indicative of its status or business model.
5. The analogy to aggregator participation in the REP Segment was intended to illustrate the flexibility sometimes needed in ERCOT Segments, rather than the proximity of individual members.

Oncor urges the ERCOT Board of Directors, and the ERCOT Corporate Members to approve a modification to the ERCOT Bylaws that would permit SCT to join the IPM Segment. SCT is “neither fish nor fowl” when compared to either the IOU or IPM Segments. Consequently, ERCOT and its members should look to the alignment of member interests and the “community of interest” each Segment represents. Based on that framework, and the facts stated above, Oncor urges the following amendment to the ERCOT Bylaws:

**Independent Power Marketer.** Any entity that is not a T&D Entity or Affiliate of a T&D Entity and is registered at the PUC as a Power Marketer to serve in the ERCOT Region. For the purposes of Segment classification, a DC Tie Operator, if such Member does not comply with the requirements of any other classification, shall participate as an Independent Power Marketer.