



# The Southern Cross Transmission Project

## Standards of Conduct

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Public



# Overview



- FERC Standards of Conduct – FERC Part 358 – are intended to ensure that transmission providers do not give their **affiliates** a competitive advantage –
  - Through preferential treatment
  - By providing access to information denied to non-affiliates

# FERC standards provide broad protection



Standards impose the following rules and requirements:

- Independent Functioning Rule
- Non-Discrimination Requirements
- Disclosure Requirement
- No Conduit Rule
- Transparency Rule
- Employee Transfers

# Southern Cross Transmission LLC must comply with the FERC Standards of Conduct



- FERC standards of conduct applicable to transmission providers are very similar to the PUCT code of conduct provisions applicable to ERCOT TSPs not subject to unbundling (16 TAC §25.196)
- FERC standards of conduct directly address the relationship between providers of transmission services and competitive market participants, including any entities affiliated with the transmission provider

# Definition of marketing function



PUCT §25.196	FERC Part 358	Relevant differences
<p>§ 25.196(b)(1)</p> <p>Wholesale merchant function applies to the purchase and sale of electricity at wholesale.</p>	<p>18 C.F.R. § 358.3(c)(1)</p> <p>Marketing function applies to the sale of electric energy or capacity, financial transactions and transmission rights.</p>	<p>SCT will not purchase or sell electricity in ERCOT so broader PUCT Standard is not applicable.</p> <p>FERC Standards are broader in covering financial and transmission rights sales in addition to the sale of electricity.</p>

# Definition of transmission function



PUCT §25.196	FERC Part 358	Relevant differences
<p>§ 25.196(b)(2)</p> <p>Covers activities of TSP employees engaged in “transmission system operations”.</p>	<p>18 C.F.R. § 358.3(h)</p> <p>The planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.</p>	<p>Language is comparable.</p>

# Separation of functions



PUCT §25.196	FERC Part 358	Relevant differences
<p>§ 25.196(b)(1)</p> <p>TSP marketing function employees may not:</p> <ol style="list-style-type: none"><li>1. Conduct transmission system operations or reliability functions</li><li>2. Have preferential access to system control center or similar facilities</li><li>3. Have preferential access to information about TSP's transmission system not available to users of electronic network</li></ol>	<p>18 C.F.R. § 358.5(b)(1)</p> <p>Transmission Provider marketing function employee may not:</p> <ol style="list-style-type: none"><li>1. Conduct transmission functions</li><li>2. Have access to system control center or similar facilities used for transmission operations in any way different from access to other transmission customers</li></ol>	<p>Language is comparable</p>

# Independent functioning



PUCT §25.196	FERC Part 358	Relevant differences
<p>§ 25.196(b)(1)</p> <p>Transmission system operations employees must function independently of wholesale generation function employees “to the maximum extent practicable”</p>	<p>18 C.F.R. § 358.5(a)</p> <p>Transmission function employees must function independently of marketing function employees “except as permitted by [the Part 358 regulations] or otherwise permitted by [FERC] order”</p> <p>18 C.F.R. § 358.5(b)(2)</p> <p>Transmission function employees are prohibited from conducting marketing functions</p>	<p>FERC Standard allows less discretion as to when transmission function employees may interact with marketing function employees</p>



# Non-discrimination requirement



PUCT §25.196	FERC Part 358	Relevant differences
<p>Provisions of § 25.196 that allow no discretion must be strictly applied and those that allow for discretion must be exercised in a non-discriminatory manner</p> <p>§ 25.196(b)(5) &amp; (6)</p> <p>Transmission operations employees shall apply PUCT Open-Access rules and transmission tariffs in a fair and impartial manner</p>	<p>18 C.F.R. § 358.4(a) &amp; (b)</p> <p>Transmission Provider must strictly enforce all tariff provisions that do not allow for the exercise of discretion and those tariff provisions that do allow the exercise of discretion must be exercised in a fair and impartial manner that treats all transmission customers in a not unduly discriminatory manner</p>	<p>Standard is comparable – FERC Standard focuses on compliance with open access transmission tariff while PUCT Standard focuses on compliance with PUCT Open Access regulations and tariffs</p>

# Disclosure requirement



PUCT §25.196	FERC Part 358	Relevant differences
<p>§ 25.196(b)(2)</p> <p>Transmission system operations employees</p> <ol style="list-style-type: none"><li>1. May disclose information relating to the TSP's transmission system or offerings of ancillary services to wholesale marketing function employees only through the electronic information network and</li><li>2. May not disclose non-public information concerning the activities of any competitors of the TSP or its affiliates (including interconnection requests or requests by ERCOT for comments on the scope of a system security screening study) to wholesale marketing function employees</li></ol>	<p>18 C.F.R. § 358.6(b)</p> <p>Any employee, agent, contractor of a transmission provider (or affiliate thereof) is prohibited from disclosing non-public transmission function information to any marketing function employee</p> <p>If a transmission provider discloses non-public transmission function information, the transmission provider must immediately post the information that was disclosed on its Internet</p>	<p>FERC standard is broader</p>

# No conduit rule



PUCT §25.196	FERC Part 358	Relevant differences
Does not address	18 C.F.R. § 358.6(a)  Transmission Provider may not use a conduit to provide for the disclosure of non-public transmission function information to marketing function employees	FERC Standard provides broader protection by explicitly prohibiting the disclosure of non-public transmission function information through a conduit

# Employee transfers



PUCT §25.196	FERC Part 358	Relevant differences
<p>§ 25.196(b)(3)</p> <p>Information regarding the transfer of persons between organizational units responsible for transmission system operations and wholesale merchant functions must be provided to the PUCT on a monthly basis and made available to market participants on request</p>	<p>18 C.F.R. § 358.7(f)(1)</p> <p>Transmission provider must post notice on its Internet website of any transfer of transmission function employees to a position as a marketing function employee and vice versa and must keep such information posted for ninety days</p>	<p>Both FERC and PUCT disclosure requirements are comparable although methods of disclosure differ</p>



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