



ERCOT's Responses to Questions and Comments on ERCOT's Switchable Generation Presentation

At the July 11, 2018 Wholesale Market Subcommittee (WMS) meeting, ERCOT solicited questions and comments regarding its presentation addressing ERCOT's authority to commit Switchable Generation Resources during Emergency Conditions. ERCOT received questions and comments from Tenaska, Inc. and Golden Spread Electric Cooperative, Inc. The questions and comments, as well as ERCOT's responses, are as follows:

Tenaska, Inc.

1. FERC approved interconnection and transmission service for switchable units pursuant to orders issued under sections 210, 211, and 212 of the Federal Power Act. Does an RTO directive that orders a switchable unit delivering power in another power pool to interconnect with and deliver power to a different power pool during an emergency or reasonably foreseeable emergency comply with the interconnection, transmission and open access orders for the switchable units? Please explain why such an action would not interfere with a switchable unit's rights under its interconnection agreements.

Response:

ERCOT is aware of the FERC order directing interconnection and transmission related to the Kiamichi Switchable Generation Resource (SWGR) located in Pittsburg County, Oklahoma under sections 210, 211, and 212 of the Federal Power Act. See *Kiowa Power Partners, LLC*, 99 F.E.R.C. ¶ 61,251 (2002). ERCOT is unaware of any other orders issued under sections 210, 211, and 212 that direct interconnection and transmission with respect to the remaining ERCOT SWGRs, which are all located within Texas.

ERCOT does not contemplate directing an SWGR that is actively delivering power in another region to interconnect with and deliver power to ERCOT absent a release from the other region, even during an emergency. Consistent with existing coordination documents, the unit would need to be released by the other region before ERCOT could instruct it to connect to the ERCOT Region. Such a directive does not conflict with the *Kiowa Power Partners* order because the order does not impose any obligations on Reliability Coordinators (RCs) with respect to SWGRs or grant SWGRs any new rights. Nor does the order conflict with current rules and applicable law.

ERCOT is not aware of any reason why a commitment instruction to an SWGR that has been released from a neighboring region would interfere with that SWGR's rights under its interconnection agreements. ERCOT is also not aware of any interconnection agreement provision that exempts SWGRs from applicable rules and regulations merely because they are switchable.

It should be noted that on at least one occasion, FERC has recognized that RCs served by an SWGR must coordinate to address emergency conditions. FERC did so when it disclaimed plenary jurisdiction in connection with transmission and interconnection facilities that would deliver power from Golden Spread Electric Cooperative, Inc.'s (GSEC) Antelope Elk Energy Center to the ERCOT Region and confirmed that GSEC may operate the proposed SWGR. See *Golden Spread Electric Cooperative, Inc.*, 149 F.E.R.C. ¶ 61,015 at P 8 (2014) ("Petitioners state these resources will be available to either SPP or ERCOT to address emergency conditions pursuant to an emergency coordination agreement between SPP and ERCOT that specifies how each of the switchable resources will be coordinated between the regions during emergency conditions.").

2. Has ERCOT determined that obtaining stakeholder consensus for its position on switchable generation is not appropriate or necessary? If so, please explain ERCOT's apparent change in viewpoint from 2016 to now.

Response:

ERCOT does not believe stakeholder consensus is required in order to establish operating procedures necessary to comply with its statutory duties. ERCOT of course strives to be transparent and welcomes stakeholder consultation and comments on any number of issues, including SWGRs. ERCOT does not perceive that its viewpoints regarding SWGRs have materially changed since 2016. SWGRs must be treated the same as any non-switchable Generation Resource for purposes of compliance with applicable rules.

3. Please refer to Power Operations Bulletin 850. Effective May 31, 2018, ERCOT changed the ERCOT Operating Procedural Manual supervising coordination with SPP, MISO and CENACE regarding switchable generation. The manual previously stated that, if ERCOT, SPP or MISO requested that a switchable resource be switched into them and the resource could be released, "it is up to the QSE as to whether they want to switch." That language was deleted from the Operating Procedural Manual. Please explain why the language was removed.

Response:

The language was removed from the non-binding Operating Procedure Manual because it was inconsistent with applicable law and ERCOT rules. That language would improperly elevate market interests over reliability, in the rare case an emergency brings those principles into conflict. The language was never vetted by ERCOT's legal department and never employed.

4. ERCOT's 2016 *Switchable Generation in ERCOT* whitepaper acknowledged that switchable resources may have commitments and opportunities in other power regions that are not compensated by ERCOT's RUC settlement process. If ERCOT restricts a switchable unit's power sales in another grid during an ERCOT system emergency, the current ERCOT, MISO, and SPP settlement protocols do not compensate the switchable unit for economic damages and lost property rights.

Response:

If by "economic damages," Tenaska is referring to contractual damages, ERCOT agrees that current rules do not allow for recovery of economic damages. ERCOT's Reliability Unit Commitment (RUC) settlement rules would not compensate any Generation Resource—whether switchable or not—for contractual damages that might arise from RUC commitment or decommitment. ERCOT is unclear what "lost property rights" Tenaska is referring to. To the extent the phrase suggests an SWGR has a right to operate in another other region to the exclusion of assisting ERCOT during an emergency, ERCOT disagrees that such a right exists for the reasons stated in its original presentation.

- a. Does ERCOT contend it has the legal authority to RUC a switchable unit before settlement protocols are in place in ERCOT, MISO, and SPP that would provide just and reasonable compensation to the units for economic damages and lost property rights? Please explain.

Response:

Yes, in the event of an emergency. ERCOT has authority to RUC an SWGR in accordance with the ERCOT Protocols, including Protocols providing RUC make-whole payments, and no further revisions to Protocols are needed to effectuate this authority. Any costs unrelated to the SWGR's operation and availability to ERCOT would not be compensated. Stakeholders may wish to consider whether other costs should be compensated, but ERCOT has concerns about whether the market should indemnify SWGRs for damages due to voluntary contractual arrangements.

- b. If ERCOT's answer is yes, please explain how ERCOT would compensate the switchable units for economic damages and lost property rights.

Response:

Under current rules, ERCOT would not compensate an SWGR for economic damages or lost property rights.

- c. If ERCOT's answer is no, please identify ERCOT's opinion of the scope of protocol changes that are necessary to permit ERCOT to restrict switching rights or order grid switching during a RTO emergency.

Response:

N/A

- d. If the ERCOT settlement compensation process does not result in just and reasonable rates for the restriction of a switchable unit's right to operate in MISO or SPP, which regulator(s) would be the arbiter of such a complaint?

Response:

The Public Utility Commission of Texas (PUC) would be the appropriate forum for any dispute against ERCOT. Texas Utilities Code Section 39.151(d-4)(6) authorizes the PUC to decide disputes between ERCOT and an affected person. PUC Procedural Rule 22.251 establishes the process by which the PUC resolves complaints against ERCOT.

5. Have MISO or SPP identified to ERCOT changes to their protocols, coordination agreements or NERC reliability standards that they believe are necessary to accommodate ERCOT's new approach to restricting a switchable unit from delivering power in another grid during a grid emergency? Please explain.

Response:

Neither MISO nor SPP has identified to ERCOT any changes to their respective tariffs/protocols or the NERC Reliability Standards they believe are necessary. ERCOT has discussed with MISO and SPP potential revisions to existing coordination/operating documents in order to improve visibility regarding the status of SWGRs, clarify communication procedures and switching processes in the event of emergency conditions, and remove

language that purports to bind market participants, where local rules would more appropriately serve that purpose. But the current coordination/operating documents already contemplate reliability-based coordination of SWGR operations in emergency conditions. ERCOT's approach is not new.

Golden Spread Electric Cooperative, Inc.

1. Golden Spread Electric Cooperative ("GSEC") agrees with ERCOT staff's analysis, presented on July 11, 2018, concluding that the Electric Reliability Council of Texas ("ERCOT") may direct a Switchable Generation Resource ("SWGR") registered with ERCOT and operating in a neighboring region to interconnect with the ERCOT system when ERCOT experiences or anticipates an Emergency Condition, if the system operator for the region in which the SWGR is operating releases the SWGR to ERCOT's control. GSEC supports a requirement that a registered resource must follow ERCOT's manual directives to a SWGR once the SWGR is released by the neighboring entity in accordance with the Coordination Agreement between the Reliability Coordinators.

Response:

ERCOT appreciates the comments submitted by GSEC.