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| PGRR Number | [077](http://www.ercot.com/mktrules/issues/PGRR077) | PGRR Title | DC Tie Planning Assumptions |

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| Date | October 6, 2020 |

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| Market Segment | N/A |

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| Comments |

ERCOT Staff submits these comments to primarily address Rainbow Energy Marketing Corporation’s (REMC) assertion in its 10/1/20 comments to the ERCOT Board of Directors (Board) that Planning Guide Revision Request (PGRR) 077 discriminates against REMC and other entities that schedule transactions over the Direct Current Ties (DC Ties). ERCOT Staff notes that it sponsored this PGRR to clarify the transmission planning assumptions of DC Tie flows in planning studies and to work with stakeholders on the appropriate language in the Planning Guides. Although neutral on the stakeholder policy discussion, ERCOT Staff does support approval of PGRR077 as recommended by TAC in the 9/23/20 TAC Report to the ERCOT Board.

Specifically, REMC asserts that because it pays transmission charges as required by Public Utility Commission (PUC) Rule 25.192, it is entitled to the same treatment in the ERCOT planning process that native (i.e., non-DC Tie) Load in the ERCOT Region receives. REMC argues that PGRR077 discriminates against entities that schedule flows over the DC Ties because the PGRR would eliminate reliability-based transmission upgrades driven by modeled DC Tie flows, while ERCOT would continue to plan transmission upgrades to support native Load.

ERCOT Staff disagrees that PGRR077 would result in improper discrimination. REMC’s position assumes that the payment of transmission charges entitles one to transmission upgrades. ERCOT Staff is unaware of any legal basis for this claim. PUC Rule 25.192 allocates transmission charges based on use of the transmission system, without regard to whether the customer paying those charges may benefit from existing or future transmission upgrades. *See* 16 Tex. Admin. Code § 25.192(b)(1), (e).[[1]](#footnote-1) And the process ERCOT uses to identify appropriate transmission upgrades does not consider whether, or to what degree, any consumer pays transmission charges. Simply put, there is no necessary correlation or connection between the amount one pays for transmission service and the benefit one may expect to receive from transmission upgrades.

REMC complains that it is unable to avoid transmission charges by curtailing during 4-Coincident Peak (4-CP) intervals. However, this outcome is simply a function of the PUC’s policy choice as to the appropriate methodology for allocating transmission charges to DC Ties; it has no necessary bearing on ERCOT’s transmission planning methods. If REMC has concerns with transmission cost allocation, it may raise these with the PUC. But this alleged inequity in no way compels the conclusion that ERCOT must plan upgrades to support commercial transactions over the DC Ties.

ERCOT Staff also disagrees with REMC’s assertion that DC Tie exports must be treated the same as native Load for all purposes. The mere fact that DC Tie exports have been characterized for some purposes as “DC Tie Load” does not automatically give those exports the same status as ERCOT consumer Load. Fundamentally, ERCOT must plan and operate the grid to reliably serve its native Load; it has no obligation to ensure the same level of reliability for purely commercial transactions that are intended to serve Load in another region. In fact, NERC Reliability Standards require ERCOT to give precedence to native Load over DC Tie exports and to curtail any DC Tie Schedule that would impact reliable service to native consumers.[[2]](#footnote-2)

REMC also points to comments submitted by Southern Cross Transmission LLC (“Southern Cross”) on PGRR077. However, Southern Cross ultimately concluded that its concern was with the transmission cost allocation method required by PUC Rule 25.192, and not with the planning method proposed in PGRR077.[[3]](#footnote-3) In fact, Southern Cross ultimately expressed its support for the original version of this PGRR (the version approved by ROS and TAC), as it had from the beginning of the stakeholder discussion of this proposal.[[4]](#footnote-4)

For these reasons, ERCOT Staff believes the ERCOT Board may reasonably determine that PGRR077 as recommended by TAC does not impermissibly discriminate against REMC or other entities scheduling over the DC Ties.

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| Revised Cover Page Language |

None

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| Revised Proposed Guide Language |

None

1. Specifically, for customers served by a TDSP, transmission charges are based on the Load ratio share of the customer’s DSP during the 4-CP intervals in the previous summer. 16 Tex. Admin. Code § 25.192(b)(1). For DC Tie exports, transmission charges are assessed on a per-kWh basis depending on whether the transaction occurs during on-peak (summer) or off-peak months. 16 Tex. Admin. Code § 25.192(e). [↑](#footnote-ref-1)
2. See NERC Reliability Standard INT-006-4, Requirement 1.1: “Each Source and Sink Balancing Authority shall deny the Arranged Interchange or curtail Confirmed Interchange if it does not expect to be capable of supporting the magnitude of the Interchange, including ramping, throughout the duration of the Arranged Interchange.” [↑](#footnote-ref-2)
3. See 9/18/20 Southern Cross Transmission Comments at 2: “SCT agrees with REMC’s calculation that a flat export Load pays 1.67 times the transmission charges of a flat native Load in ERCOT. But that rate design flaw is not within the jurisdictional authority of the ERCOT stakeholders to resolve because it is embedded in PUCT rule. SCT recommends to REMC that the PUCT is, therefore, the appropriate venue in which to seek relief.” [↑](#footnote-ref-3)
4. See 9/18/20 Southern Cross Transmission Comments at 2: “PGRR077 as filed by ERCOT is consistent with ERCOT’s mission as the Reliability Coordinator and Balancing Authority for the ERCOT Region. . . . TAC should approve PGRR077 as recommended by ROS.” [↑](#footnote-ref-4)