



Date: August 9, 2022
To: Board of Directors
From: Nathan Bigbee, Deputy General Counsel
Subject: ERCOT Recommendations to PUC Regarding Project No. 46304, Oversight Proceeding Regarding ERCOT Matters Arising Out of PUC Docket No. 45624 Relating to DC Tie Project Proposed by Southern Cross Transmission, LLC (Southern Cross): Directive 12, QSE Costs

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: August 16, 2022

Item No.: 10.3

Issue:

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should vote to accept ERCOT staff's determination that costs associated with exports over Direct Current (DC) Ties have been sufficiently addressed by the resolution of other directives and that no further revision to any cost allocation mechanism is necessary.

Background/History:

In Project No. 45624, the Public Utility Commission of Texas (PUC) issued an Order that approved the City of Garland's application for a certificate of convenience and necessity (CCN) to build a new 38-mile-long, 345kV transmission line connecting the proposed 2,000 MW Southern Cross DC Tie to ERCOT. In the Order, the PUC also imposed certain conditions on the interconnection of the Southern Cross DC Tie. The PUC then opened PUC Project No. 46304, and, on May 23, 2017, it issued a Revised Order in that project that directed ERCOT to complete a number of tasks set forth in 14 different Directives.

The Directives require ERCOT to study various issues related to the new DC Tie and make determinations as to whether any actions need to be taken by ERCOT in order to accommodate the new DC Tie. ERCOT staff has been working with stakeholders and Southern Cross since mid-2017 to complete the tasks set forth in the Directives. Discussions on the Directives have been taking place in the relevant working groups and subcommittees of the Technical Advisory Committee (TAC) to assist ERCOT staff in reaching resolutions on the discrete issues raised in each Directive, and these discussions are expected to continue until all of the issues raised in the Directives are fully resolved.

For each Directive, ERCOT staff will propose one or more determinations for stakeholder review and comment, along with any NPRRs needed to address the Directive, and will seek stakeholder endorsement of the determination at relevant working groups, subcommittees, TAC, and the Board.



This particular determination concerns Directive 11, which requires that ERCOT:

“...shall study and determine for export-related costs whether the qualified scheduling entity should be assigned costs that ordinarily would ultimately be paid by the end-use customer.”

Discussions with stakeholders regarding this issue occurred at the following meetings: ROS 6/2/2022, WMS 6/1/2022, and TAC 6/27/2022. ERCOT staff prepared a [whitepaper](#) setting forth its determination and considerations relevant to that resolution, which was presented for discussion and endorsement at these meetings.

Imports and exports over the DC Tie proposed by Southern Cross will result in a number of impacts to the ERCOT System. These impacts have been identified through ERCOT’s resolution of the various other directives in the PUC’s May 23, 2017 order in Project No. 46304. As explained in the determination relating to Directive 11, the costs associated with resolving these impacts have been implicitly allocated through resolution of these directives or have been explicitly allocated to Southern Cross under the October 2017 memorandum of understanding (MOU) between ERCOT and Southern Cross. ERCOT has evaluated the impact of exports over the DC Ties and has not identified any other category of costs that should properly be allocated to Southern Cross pursuant to this directive.

ERCOT therefore concludes that no further revision of ERCOT rules is necessary to allocate export-related costs to Qualified Scheduling Entities (QSEs) under the Commission’s final order in Docket 45624.

Key Factors Influencing Issue:

- ERCOT has determined that the impacts of imports and exports over the Southern Cross DC Tie have been identified through ERCOT’s resolution of the various other directives in PUC Project No. 46304.
- The costs associated with resolving these impacts have been implicitly allocated through resolution of the directives or have been explicitly allocated to Southern Cross under the October 2017 memorandum of understanding (MOU) between ERCOT and Southern Cross.
- ERCOT has evaluated the impact of exports over the DC Ties and has not identified any other category of costs that should properly be allocated to QSEs or Southern Cross pursuant to this directive.

Conclusion/Recommendation:

ERCOT staff recommends that the Board accept ERCOT staff’s determination that costs associated with exports over Direct Current (DC) Ties have been sufficiently addressed by the resolution of other directives and that no further revision to any cost allocation mechanism is necessary.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, the Public Utility Commission of Texas (PUCT) issued a Revised Order (Revised Order) on May 23, 2017, in PUCT Project No. 46304 that contains 14 Directives requiring Electric Reliability Council of Texas, Inc. (ERCOT) to study certain issues related to the proposed Southern Cross Transmission, LLC (Southern Cross) DC Tie and make determinations as to whether certain actions must be taken by ERCOT in order to accommodate the Southern Cross DC Tie;

WHEREAS, Directive 12 of the Revised Order requires that ERCOT study and determine for export-related costs whether the qualified scheduling entity should be assigned costs that ordinarily would ultimately be paid by the end-use customer;

WHEREAS, ERCOT has determined that the impacts of imports and exports over the Southern Cross DC Tie have been identified through ERCOT's resolution of the various other directives in PUC Project No. 46304;

WHEREAS, the costs associated with resolving these impacts have been implicitly allocated through resolution of the directives or have been explicitly allocated to Southern Cross under the October 2017 memorandum of understanding (MOU) between ERCOT and Southern Cross;

WHEREAS, ERCOT has evaluated the impact of exports over the DC Ties and has not identified any other category of costs that should properly be allocated to Qualified Scheduling Entities (QSEs) or Southern Cross pursuant to this directive; and

WHEREAS, after due consideration of the alternatives, the Board deems it desirable and in the best interest of ERCOT to accept ERCOT staff's determination;

THEREFORE, BE IT RESOLVED, that the Board hereby accepts ERCOT staff's determination that costs associated with exports over DC Ties have been sufficiently addressed by the resolution of other directives and that no further revision to any cost allocation mechanism is necessary.



CORPORATE SECRETARY'S CERTIFICATE

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its August 16, 2022, meeting, the Board passed a motion approving the above Resolution by_____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of August 2022.

Jonathan M. Levine
Assistant Corporate Secretary