**Project no. 46304**

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| **OVERSIGHT PROCEEDING REGARDING ERCOT MATTERS ARISING OUT OF DOCKET NO. 45624 (APPLICATION OF THE CITY OF GARLAND TO AMEND A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE RUSK TO PANOLA DOUBLE-CIRCUIT 345-KV TRANSMISSION LINE IN RUSK AND PANOLA COUNTIES)** | **§****§****§****§** | **Public utility commission****Of texas** |

**TEXAS COMPETITIVE POWER ADVOCATES (TCPA) COMMENTS FOLLOWING ERCOT’S FOURTH STATUS UPDATE**

Texas Competitive Power Advocates (TCPA) is a trade association representing power generation companies, wholesale power marketers, and retail electric providers with investments in Texas and the Electric Reliability Council of Texas (ERCOT) wholesale electric market. TCPA members and their affiliates provide a wide range of important market functions and services in ERCOT, including the development, operation, and management of power generation assets, the scheduling and marketing of power, the provision of energy management services and the sales of competitive electric service to consumers. TCPA members provide more than fifty percent (50%) of the total net operable electric generating capacity in ERCOT, representing billions of dollars of investment in the state, and employing thousands of Texans. TCPA appreciates the Commission’s continued interest in the work of ERCOT and stakeholders towards implementing the Commission’s final order in Docket No. 45624. TCPA wishes to briefly clarify one item raised in ERCOT’s recently-filed fourth status update to the Commission regarding Directive 10.[[1]](#footnote-1)

While ERCOT’s discussion of Directive 10 was not factually inaccurate, TCPA believes that it did not fully convey the status of stakeholder discussions regarding ERCOT’s determination that “although ERCOT Staff recognizes potential price formation issues, ERCOT Staff has identified no need for additional market changes at this time.” ERCOT did note in the sole footnote to its fourth status update that future stakeholder discussions will occur regarding these price formation issues, and TCPA intends to engage in those stakeholder discussions as appropriate. However, out of an abundance of caution, TCPA respectfully enters this filing in Project No. 46304 to ensure that the record is not misconstrued as showing that ERCOT stakeholders are in agreement that no action is needed at this time.

Procedurally, ERCOT’s initial draft response to Directive 10 was merely a summary of stakeholder discussion during NPRR 768 in 2017, which was brought to stakeholders for endorsement at the August 2018 Wholesale Market Subcommittee (WMS) meeting.[[2]](#footnote-2) Only after opposition from stakeholders was voiced at WMS did ERCOT identify the six distinct price formation issues related to the operation of DC ties during emergencies that were included in ERCOT’s fourth update.[[3]](#footnote-3)  These six price formation issues were confirmed and endorsed by stakeholders, although no quantification of the issues was provided due to effort and accuracy concerns.

Further modifications were made to ERCOT’s Directive 10 response at the September 2018 Technical Advisory Committee (TAC) meeting in order to secure TAC’s endorsement. Those changes were made with the explicit understanding that ERCOT was neither proposing nor precluding future consideration of price formation issues, and that understanding was reiterated at the October 2018 ERCOT Board of Directors meeting prior to the ERCOT Board’s endorsement.

Notwithstanding that procedural history, ERCOT’s final response to Directive 10, filed in this project, bases the determination that “no action is needed” on the stakeholder approval of NPRR 768 rather than on the actual need or impact of price formation issues related to DC tie flows during emergencies.  TCPA does not believe this is truly responsive to the Commission’s order seeking a study of — and recommendations to resolve — price formation issues related to emergency flows over DC ties for two reasons.

First, ERCOT identified the pricing formation issues as a result of Directive 10, not stakeholder discussions. As such, it does not follow that stakeholder approval of NPRR 768 is dispositive of the discrete issues identified by ERCOT at the Commission’s direction. A reasonable reading of Directive 10 is that if ERCOT identifies a price formation issue related to DC ties, ERCOT is obligated to examine potential changes to pricing policies that would remedy those situations and provide such options to the stakeholders and/or the Commission for consideration.

Second, stakeholder discussion during NPRR 768’s pendency explicitly anticipated this very situation and included in the record a provision that the topic of DC tie impacts on price formation be revisited should additional DC ties be added in the future.[[4]](#footnote-4) That is, NPRR 768 was not a definitive policy solution for DC tie price formation issues and is not fairly characterized as stakeholders addressing that topic with any finality. NPRR 768, as passed, was an ERCOT-drafted compromise to move forward with Protocol changes in 2017 to recognize the pricing impact of the then-current maximum DC Tie import capability,[[5]](#footnote-5) with full knowledge and acknowledgement that the then-recently approved CCN to interconnect the Southern Cross DC tie would require additional consideration.

In sum, TCPA believes that addressing any price formation issues related to DC ties is an important matter that should not be deferred until a problem actually arises. As noted in TCPA’s second set of comments in Project No. 48551, non-synchronous ties were by far the largest variance to the Capacity, Demand, and Reserves (CDR) Report in meeting ERCOT peak demand, but they operate outside of ERCOT’s Security Constrained Economic Dispatch (SCED) and are potentially price-suppressive when importing.[[6]](#footnote-6)

Dated: November 16, 2018

Respectfully submitted,

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1. *Electric Reliability Council of Texas’s Fourth Status Update*, Project No. 46304 (October 31, 2018), Bates 4-5 and 135-141. [↑](#footnote-ref-1)
2. August 8th, 2018 Wholesale Market Subcommittee agenda item 5. http://www.ercot.com/content/wcm/key\_documents\_lists/141125/05.\_Determination\_for\_SCT\_Directive10\_EmergencyAction\_7272018.docx [↑](#footnote-ref-2)
3. *Id.* See “Southern Cross Transmission (SCT) Determination Summary for Directive 10, Emergency Condition Price Formation”, Bates 138-140. [↑](#footnote-ref-3)
4. See 768NPRR-19 Board Report 101717, available at <http://www.ercot.com/mktrules/issues/NPRR768#keydocs>. [↑](#footnote-ref-4)
5. See 768NPRR-16 ERCOT Comments 081617, available at <http://www.ercot.com/mktrules/issues/NPRR768#keydocs>. [↑](#footnote-ref-5)
6. *Texas Competitive Power Advocates (TCPA) Comments on the Questions Regarding the Commission’s Review of Summer 2018 Market Performance*, Project No. 48551 (October 18, 2018)at 7. [↑](#footnote-ref-6)