



Control Number: 42511



Item Number: 256

Addendum StartPage: 0

DOCKET NO. 42511

COMPLAINT OF CALPINE CORPORATION AND NRG ENERGY, INC. AGAINST THE ELECTRIC RELIABILITY COUNCIL OF TEXAS AND APPEAL OF DECISION CONCERNING THE HOUSTON IMPORT PROJECT

§  
§  
§  
§  
§  
§  
§

2014 DEC 16 PM 2:25  
PUBLIC UTILITY COMMISSION  
OF TEXAS

ORDER

This order addresses Calpine Corporation and NRG Energy, Inc.'s complaint against the Electric Reliability Council of Texas (ERCOT) and appeal of the ERCOT Board of Directors' resolution endorsing the need for the Houston Import Project (HIP) and deeming a component of the project critical to reliability. The Commission finds that Calpine and NRG failed to show that ERCOT violated any law that the Commission has jurisdiction to administer, any order or rule of the Commission, or any protocol or procedure adopted by ERCOT. The Commission therefore denies the complaint and appeal.

The Commission adopts the following findings of fact and conclusions of law:

I. Findings of Fact

Procedural History

1. On May 13, 2014, Calpine and NRG (complainants) filed a complaint and appeal of ERCOT's resolution endorsing the HIP.
2. On May 19, 2014, the Commission administrative law judge (ALJ) issued Order No. 1, requiring responses to the complaint.
3. On May 27, 2014, ERCOT staff provided proof of notice pursuant to P.U.C. PROC. R. 22.251(e), 16 TEX. ADMIN. CODE § 22.251(e).
4. Interventions were filed in the docket by Texas Industrial Energy Consumers (TIEC), Bryan Texas Utilities (BTU), the Gulf Coast Coalition of Cities (GCCC), CenterPoint Energy Houston Electric, LLC, the city of Houston, the city of Garland, Cross Texas

256

Transmission, LLC, and Luminant Generation Company, LLC. No objection was submitted to these interventions.

5. On May 29, 2014, Order No. 2 was issued granting TIEC's intervention.
6. On June 9, 2014, Order No. 3 was issued granting BTU's intervention.
7. On June 24, 2014, Order No. 4 was issued granting the intervention of GCCC.
8. On June 30, 2014, Order No. 5 was issued granting the interventions of the city of Houston and CenterPoint.
9. On July 7, 2014, Order No. 6 was issued granting the interventions of the city of Garland, Luminant, and Cross Texas.
10. On June 10, 2014, ERCOT filed its response to the complaint.
11. On June 17, 2014, an order was issued requesting a list of issues to be submitted by the parties.
12. On June 20, 2014, CenterPoint filed a motion for summary decision and to dismiss.
13. On June 26, 2014, complainants, ERCOT, Commission Staff, Luminant, CenterPoint, TIEC, Cross Texas, and the city of Garland filed lists of issues.
14. On June 27, 2014, Commission Staff filed comments on the complaint. On the same day, Commission Staff also responded to CenterPoint's motion to dismiss.
15. On July 7, 2014, complainants submitted their reply to the responses to the complaint and to Commission Staff's comments.
16. On July 10, 2014, complainants filed their response to the motion to dismiss.
17. On July 11, 2014, the Commission issued a preliminary order.
18. On July 14, 2014, CenterPoint filed a reply to the complainants' response to its motion to dismiss.
19. On July 18, 2014, Order No. 9 was issued establishing a procedural schedule.
20. On August 18, 2014, an order was issued denying CenterPoint's motion to dismiss.

21. A hearing on the merits was held before the Commission on October 17, 2014.
22. On October 31, 2014, complainants, ERCOT, Commission Staff, CenterPoint, Cross Texas and the city of Garland, TIEC and Luminant filed post-hearing briefs.

**The Houston Import Project**

23. The HIP consists of the following six components: (i) construction of a new 345-kV line terminating into the Limestone and Gibbons Creek substations, (ii) construction of a new 345-kV line terminating into the Gibbons Creek and Zenith substations, (iii) upgrades to the existing Limestone substation, (iv) upgrades to the existing Gibbons Creek substation, (v) upgrades to the existing Zenith substation, and (vi) the upgrade of the existing T.H. Wharton-to-Addicks 345-kV line. The stated purpose of the HIP is to increase the transmission import capacity serving the Houston area from the northern regions of the ERCOT system.
24. CenterPoint is a transmission service provider (TSP) as that term is defined by P.U.C SUBST. R. 25.5(143), 16 TEX. ADMIN. CODE § 25.5(143), and operates within the ERCOT region.
25. Cross Texas is a TSP that operates within the ERCOT region.
26. The city of Garland operates its municipally-owned utility as Garland Power & Light. Garland Power & Light is a TSP that operates within the ERCOT region.
27. ERCOT is an independent organization certified by the Commission under section 39.151 of the Public Utility Regulatory Act, TEX. UTIL. CODE § 11.001-66.016 (West 2007 & Supp. 2014) (PURA).
28. In the summer of 2013, ERCOT staff received three regional-planning-group submittals from CenterPoint Energy, Cross Texas and the city of Garland, and Lone Star Transmission, LLC, identifying a reliability need to improve the import capacity into the Houston region.

29. ERCOT staff classified each submittal as a tier 1 project pursuant to ERCOT Nodal Protocol § 3.11.4.7 because the estimated capital cost for each proposal was \$50 million or greater.
30. ERCOT staff conducted a single, combined independent review of the three submittals, as required by ERCOT Nodal Protocol § 3.11.4.1(3).
31. During the regional planning group's (RPG) review of the three submittals, ERCOT staff studied the reliability need identified in the submittals and confirmed the need to improve the import capacity into the Houston region.
32. ERCOT staff released its report entitled *ERCOT Independent Review of the Houston Import RPG Project (ERCOT Independent Review)* on February 20, 2014.
33. After release of the *ERCOT Independent Review*, ERCOT staff provided a presentation of its recommendation at the March 27, 2014 meeting of the ERCOT Technical Advisory Committee.
34. ERCOT staff presented its recommendation to the ERCOT Board of Directors at the April 8, 2014 meeting and the board endorsed the HIP and deemed it critical to reliability.
35. ERCOT designated CenterPoint, Cross Texas, and the city of Garland to construct the HIP.

**Applicable Standards**

36. ERCOT Nodal Protocol § 3.11.2(1) provides that "ERCOT and TSPs shall evaluate the need for transmission system improvements and shall evaluate the relative value of alternative improvements based on established technical and economic criteria."
37. ERCOT Planning Guide § 3.1.4.1(1), Development of Regional Transmission Plan, requires ERCOT in transmission planning to conduct computer modeling studies of the generation and transmission facilities and substation loads under normal conditions in the ERCOT system. It also requires modeling contingency conditions along with changes in

load and generation that might be expected to occur in operation of the ERCOT transmission grid.

38. ERCOT Planning Guide § 4.1.1.1(5) provides that certain assumptions may be applied to the SSWG base cases for use in planning studies, including reasonable variations of load forecast and reasonable variations of generation commitment and dispatch.

**ERCOT's Analysis**

39. In its independent review of the HIP, ERCOT performed a power-flow analysis to identify reliability-criteria violations on transmission lines importing power into the Houston area in 2018.
40. ERCOT used the study case developed for the 2013 regional transmission plan (RTP) base case as the base case for its HIP study.
41. ERCOT made adjustments to the Steady State Working Group (SSWG) base case model (2018 summer peak) developed by the SSWG in 2013 to create RTP study cases, in accordance with the ERCOT Planning Guide.
42. ERCOT created a 2018 northwest study case to study critical system conditions in the north, north-central, west and far-west weather zones (collectively, the NW study area) and a 2018 southeast study case to study critical system conditions in the east, coast, south and south-central weather zones (collectively, the SE study area).
43. Because the Houston area is located in the coast weather zone and the overloads identified in the TSPs' RPG submittals were located within the east and coast weather zones, ERCOT selected the 2018 southeast study case as the base case for the HIP analysis.
44. For each study area, the load level was set to the forecasted peak load for that area while load outside of the area was scaled down until there was enough generation to meet the load plus an operational reserve of approximately 1,375 MW, which is equal to the largest single unit on the ERCOT system.

45. ERCOT performed power-flow analyses of the HIP base case under normal conditions, N-1 contingency conditions (one double-circuit transmission line out of service), and G-1+N-1 contingency conditions (one double-circuit transmission line and one generating plant out of service).
46. ERCOT's analyses identified low-voltage issues in the area as well as 12 transmission elements that would be overloaded under certain G-1+N-1 conditions during the summer peak of 2018. ERCOT's analysis also identified overloads under N-1 conditions.
47. In addition to the HIP base case, ERCOT analyzed three sensitivity cases developed by ERCOT in response to RPG stakeholder comments on the assumptions used in the base-case analysis, such as load scaling. All three sensitivity cases showed overloads in 2018, therefore confirming the reliability need for the HIP.
48. ERCOT also conducted an added-generation and demand-response sensitivity analysis to address the possibility that additional new generation or demand-side resources might come online in the Houston load pocket. To simulate this possibility, load within the coast zone was scaled down until the reliability need no longer existed.
49. Under P.U.C. PROC. R. 22.251(c)(2), 16 TEX. ADMIN. CODE § 22.251(c)(2), good cause exists to waive the requirement to use the applicable ERCOT alternative dispute resolution procedures.
50. The Commission has designated ERCOT as the independent organization responsible for, among other things, ensuring "the reliability and adequacy of the regional electrical network" pursuant to PURA § 39.151(a).
51. ERCOT did not violate any law that the Commission has jurisdiction to administer, any order or rule of the Commission, or any protocol or procedure adopted by ERCOT.

## **II. Conclusions of Law**

1. The Commission has jurisdiction over this matter under PURA §§ 14.001, 32.001, and 39.151.

2. Reasonable and adequate notice of the complaint was provided in accordance with P.U.C. PROC. R. 22.251(e), 16 TEX. ADMIN. CODE § 22.251(e).
3. This docket was processed in accordance with applicable statutes and Commission rules.
4. Under P.U.C. PROC. R. 22.251(c)(2), 16 TEX. ADMIN. CODE § 22.251(c)(2), the use of applicable ERCOT alternative dispute resolution procedures were not required.
5. ERCOT did not violate any law that the Commission has jurisdiction to administer, any order or rule of the Commission, or any protocol or procedure adopted by ERCOT.

### **III. Ordering Paragraphs**

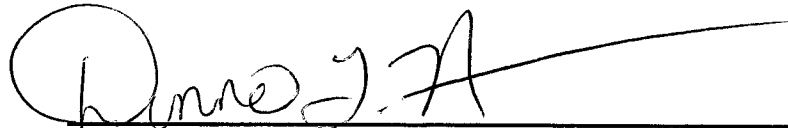
In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. The Commission denies the complainants' appeal and complaint.
2. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other request for general or specific relief, if not expressly granted herein, are denied.



SIGNED AT AUSTIN, TEXAS the 16<sup>th</sup> day of December, 2014.


**PUBLIC UTILITY COMMISSION OF TEXAS**



**DONNA L. NELSON, CHAIRMAN**



**KENNETH W. ANDERSON, JR., COMMISSIONER**



**BRANDY MARTY MARQUEZ, COMMISSIONER**