

SUBJECT: Establishing a CCN process for certain transmission interconnections

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 10 ayes — Cook, Giddings, Farney, Farrar, Geren, Harless, Huberty, Kuempel, Minjarez, Smithee

0 nays

3 absent — Craddick, Oliveira, Sylvester Turner

SENATE VOTE: On final passage, April 14 — 31-0

WITNESSES: For — Katie Coleman, Texas Association of Manufacturers; (*Registered, but did not testify*: Ray Schwertner, City of Garland; Michael Jewell and David Parquet, Southern Cross Transmission; Patrick Tarlton, Texas Chemical Council; John W. Fainter Jr., The Association of Electric Companies of Texas, Inc.)

Against — None

On — (*Registered, but did not testify*: Cyrus Reed, Lone Star Chapter Sierra Club; Brian Lloyd, Public Utility Commission)

BACKGROUND: The U.S. electric network is divided into three grids: the Western and Eastern interconnections and the Electric Reliability Council of Texas (ERCOT). The ERCOT region lies solely within Texas and is made up of 90 percent of Texas’ total electric load and 75 percent of the state’s land area. ERCOT excludes parts of the Panhandle, northeast and southeast Texas, and El Paso, which are in other adjacent power regions.

Because ERCOT is an intrastate grid, the Public Utility Commission of Texas (PUC) has regulatory authority over utilities operating within. The Federal Energy Regulatory Commission (FERC) has only limited jurisdiction over certain reliability standards.

ERCOT currently has a limited number of low capacity interconnections through direct-current (DC) ties with the Eastern Interconnection and Mexico. All of these DC ties are located within the Texas and were obtained through certificates of convenience and necessity (CCNs) from the PUC.

According to the PUC, a company has proposed creating a new interconnection to the Texas grid in the eastern part of the state through its Southern Cross Project, which could be as large as 3,000 megawatts. Another company may initiate a project in the western part of the state that could be as large as 5,000 megawatts. Both projects would locate the DC station in other states, and for one project a municipally owned utility is building part of the transmission to interconnect to the ERCOT grid.

Current law does not provide a process for projects structured in this way to come before the PUC for a CCN. In addition to concerns about potentially bringing federal jurisdiction to the ERCOT grid, the size of these projects could have impacts on grid reliability, wholesale market prices, and costs to operate the grid. Extending the CCN process to such project could give the PUC a way of examining these issues to determine the impacts on consumers and producers.

DIGEST: CSSB 933 would amend Utilities Code, sec. 37.051 to prohibit a person, including an electric utility or municipally owned utility, from interconnecting a facility to the Electric Reliability Council of Texas (ERCOT) transmission grid that enabled additional power to be imported into or exported out of the ERCOT power grid unless the person obtained a certificate of convenience and necessity (CCN) from the Public Utility Commission. The person would have to apply for the CCN within 180 days of seeking an order from the Federal Energy Regulatory Commission (FERC) related to the interconnection.

The Public Utility Commission (PUC) would have to determine that the application was consistent with the public interest before granting the CCN and could grant the CCN only if it was necessary for the service, accommodation, convenience, or safety of the public. The PUC could

adopt rules as necessary to implement the bill.

SB 933 would require the PUC to process the application for the Southern Cross project, which already has obtained an interconnection order from the FERC, within 185 days. The bill would allow the PUC to place reasonable conditions on this CCN necessary to protect the public interest.

SB 933 would stipulate that the bill was not intended to restrict the authority of the PUC or ERCOT to adopt rules or protocols of general applicability.

The bill would take effect September 1, 2015.