PUC Project No. 46304

Oversight Relating to the Southern Cross Transmission DC Tie

Registration and Market Segment (Directive 1)

Date: 5/25/2022

Market stakeholder input: ERCOT Workshop 9/7/2017, OWG 2/15/2018, 4/19/2018, PRS 12/14/2017, 3/8/2018, 4/12/2018, QMWG 2/13/2018, ROS 1/11/2018, 3/1/2018, 4/5/2018, 5/2/2018, 6/7/2018, WMS 1/10/2018, 2/28/2018, TAC 5/24/2018, 7/26/2018, 9/27/2018.

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| **Directive #1 - Registration** | **ERCOT shall (a) determine the appropriate market participation category for Southern Cross Transmission LLC and for any other entity associated with the Southern Cross DC tie for which a new market participant category may be appropriate (creating new ones if necessary), (b) implement the modifications to the standard-form market-participant agreement and its protocols, bylaws, operating guides, and systems required for Southern Cross Transmission’s participation and any other entity’s participation, and (c) determine the appropriate market segment for Southern Cross Transmission and any other entity.** |

***Determination:***

***ERCOT, after consultation with stakeholders, has determined that a new Market Participant type is needed to address the unique attributes of entities that operate Direct Current (DC) Ties. NPRR857, Creation of Direct Current Tie Operator Market Participant Role and NOGRR177, Related to NPRR857, Creation of Direct Current Tie Operator Market Participant Role, created the role of “Direct Current Tie Operator” (DCTO) and established new requirements for DCTOs. NPRR857 and NOGRR177 were approved by the ERCOT Board of Directors on October 9, 2018. ERCOT will begin development of the software changes to implement NPRR857 and NOGRR177 upon Southern Cross Transmission LLC’s (“Southern Cross”) provision of funding for those changes, as provided in the memorandum of understanding between ERCOT and Southern Cross.***

***Additionally, Southern Cross has informed ERCOT that it does not wish to proceed with revisions to ERCOT Bylaws that would enable Southern Cross to join an appropriate market segment at this time. ERCOT rules do not require that a Market Participant belong to an ERCOT market segment. Consequently, ERCOT concludes that the ERCOT Bylaws should not be revised to enable Southern Cross to join an appropriate market segment. Should Southern Cross or any other Entity associated with the Southern Cross DC Tie wish to pursue membership in a Market Segment in the future, the ERCOT Bylaws and Bylaws change process in effect at the time of the application will apply.***

Reasons for Determination:

*Market Participant Type*

On September 7, 2017, ERCOT held a workshop to discuss the appropriate Market Participant category and requested feedback from stakeholders. Based on this feedback and further internal discussions, ERCOT concluded that no existing Market Participant category was appropriate for entities, like Southern Cross, that own and/or operate DC Ties but that are not eligible to be considered Transmission Service Providers (TSP) under ERCOT or Public Utility Commission of Texas (PUC) rules. ERCOT therefore concluded that a new Market Participant type—called “DC Tie Operator” (DCTO)—would be necessary. ERCOT consequently sponsored NPRR857, Creation of Direct Current Tie Operator Market Participant Role, and NOGRR177, Related to NPRR857, Creation of Direct Current Tie Operator Market Participant Role, to establish the DCTO role and describe the rights and duties of this new Market Participant type. NPRR857 and NOGRR177 were approved by the ERCOT Board on October 9, 2018.

As contemplated in the October 2017 memorandum of understanding between ERCOT and Southern Cross,[[1]](#footnote-1) ERCOT will begin development of the software changes needed to create the DCTO role once Southern Cross has provided funding for those changes. Upon implementation of NPRR857 and NOGRR177, Southern Cross will be able to register as a DCTO in ERCOT.

*Market Segment*

ERCOT’s Bylaws establish the following market segments for the purposes of representation on the ERCOT Technical Advisory Committee (TAC) and other ERCOT stakeholder committees:

* + Cooperative;
	+ Independent Generator;
	+ Independent Power Marketer;
	+ Independent Retail Electric Provider;
	+ Investor-Owned Utility;
	+ Municipal; or
	+ Large Commercial Consumer
	+ Small Commercial Consumer
	+ Industrial Consumer
	+ Residential Consumer

On February 15, 2018, ERCOT published a memorandum[[2]](#footnote-2) concluding that Southern Cross “does not fit within any of the existing Segments as they are currently defined” and recommending that stakeholders consider modifying either the Investor-Owned Utility or Power Marketer segment definitions to include entities like Southern Cross. Stakeholders discussed this issue at the February 22, 2018 TAC meeting, but did not reach a consensus. On May 11, 2018, Southern Cross submitted comments to TAC requesting that consideration of the market segment issue be deferred until a later date. In its comments, Southern Cross stated that it did not believe that its project development schedule or work on the PUC's other directives would be delayed by deferring consideration of the issue.

Southern Cross has recently confirmed to ERCOT that it does not intend to pursue placement in an ERCOT market segment at this time. ERCOT rules do not require that a Market Participant belong to an ERCOT market segment. Based on Southern Cross’s representation, ERCOT sees no reason to pursue modification of ERCOT’s Bylaws to accommodate Southern Cross (or other non-TSP DC Tie owners or operators) in a market segment at this time.

1. The MOU was attached to ERCOT’s Second Status Update to the PUC, which is available at: <http://interchange.puc.texas.gov/Documents/46304_7_965009.PDF>. [↑](#footnote-ref-1)
2. The memorandum is included in the materials for the February 22, 2018 TAC meeting, which are posted at <https://www.ercot.com/files/docs/2018/02/27/12._ERCOT_Updates.zip>. [↑](#footnote-ref-2)