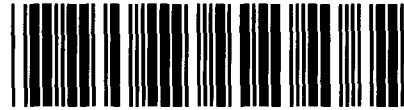




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RULEMAKING TO ADDRESS THE
USE OF NON-TRADITIONAL
TECHNOLOGIES IN ELECTRIC
DELIVERY SERVICE §
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PUBLIC UTILITY COMMISSION

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**LOWER COLORADO RIVER AUTHORITY AND
LCRA TRANSMISSION SERVICES CORPORATION'S RESPONSE TO THE
COMMISSION'S REQUEST FOR COMMENTS**

Lower Colorado River Authority (LCRA) and LCRA Transmission Services Corporation (LCRA TSC) (collectively, LCRA) appreciate the opportunity to provide this response to Commission Staff's questions regarding the use of non-traditional technologies in electric delivery service in the Electric Reliability Council of Texas (ERCOT) region.

I. BACKGROUND

LCRA is a wholesale power provider that manages a diverse generation portfolio within ERCOT. It generates and sells wholesale electricity to retail utilities, including municipally owned utilities and electric cooperatives.

LCRA TSC is a nonprofit corporation of the LCRA created in 2000, following the passage of Senate Bill 7, acting on behalf of LCRA as its instrumentality. LCRA TSC has the authority to carry out LCRA's governmental functions and contributes money to fund LCRA's statutory obligations, including public safety, parks management, water quality, and long-term water supply infrastructure. LCRA TSC provides regulated transmission, transformation, and metering services in ERCOT.

II. RESPONSE TO REQUEST FOR COMMENTS

In this project, Commission Staff has engaged stakeholders on a number of questions around the use of energy storage and other non-traditional technologies by regulated transmission and distribution utilities (TDUs) in the competitive ERCOT market. Although potential energy storage applications have become more economic in recent years, it is LCRA's understanding that, at this stage, utility-scale storage solutions still offer limited opportunities to offset traditional solutions in a reasonably cost-effective manner, and many of the emerging

reliability-focused battery proposals are best suited to address distribution system issues. Nonetheless, LCRA is open to exploring potential energy storage-based reliability solutions, to the extent the Commission determines that such proposals are lawful and appropriate.

As a way to evaluate the potential opportunities and impacts relating to TDU-owned energy storage projects in the competitive areas within ERCOT, LCRA respectfully suggests that the Commission could consider initiating a pilot study, whereby TDUs could propose a limited number of potential projects (up to, e.g., 10 MW of storage capacity per utility service provider) for evaluation by the Commission, ERCOT, and potentially affected stakeholders. The goals of such a pilot study would include developing standards for reviewing whether a proposal is cost-effective and addresses a valid reliability need; increasing transparency and coordination among utility service providers; creating an opportunity for affected stakeholders to consider the market impacts of a given proposal; and providing the Commission the opportunity to review and approve facilities before they are eligible to be included in rate base, as is the case today with transmission facilities that are subject to the Commission's certificate of convenience and necessity (CCN) requirements.

The following considerations might shape the parameters of such a pilot program:

- Given the concerns raised by competitive market participants regarding the market impacts of prior TDU-owned energy storage proposals, including the concern that these impacts would be magnified if such facilities were to proliferate in ERCOT, it would be reasonable for the Commission to exercise oversight and increase transparency by requiring regulatory approval of any TDU-owned energy storage project. Existing Commission procedures for certificating transmission facilities, including review of the need for the proposed facilities, could be adapted to address certification of these proposed energy storage facilities.
- Additional concerns relating to the challenges that TDU-owned energy storage facilities pose with regard to system planning, as well as coordination among potentially affected utilities, weigh in favor of requiring review of proposed TDU-owned storage projects by the ERCOT Regional Planning Group and other appropriate ERCOT stakeholder groups. Through these review processes, which would need to be adapted to address TDU energy storage proposals, stakeholders can evaluate and comment on the anticipated market impacts of a specific proposed

storage project, in addition to evaluating its reliability impacts, so that a record can be more fully developed by which a proposed project can be evaluated from a cost/benefit standpoint.

- To the extent a proposed energy storage solution is determined through the ERCOT review process to be a viable alternative to—or necessary for the deferral of—a traditional “wires” solution, ERCOT procedures should be developed to ensure that the utility that would have been awarded the traditional reliability project is designated as the provider for the energy storage project alternative.

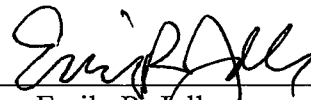
III. CONCLUSION

LCRA appreciates the opportunity to provide these comments and looks forward to participating in further discussions relating to the development of energy storage and other technologies in ERCOT.

Respectfully submitted,

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