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SIERRA CLUB
LONE STAR CHAPTER

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PROJECT NO. 48023

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

COMMENTS OF LONE STAR CHAPTER OF THE SIERRA CLUB

November 2nd, 2018

The Lone Star Chapter of the Sierra Club is pleased to file these brief comments in response to the Commission's published questions regarding the use of non-traditional technologies in electric delivery service. We appreciate the PUC's interest in this timely issue given the changing nature of technologies and energy services.

I. INTRODUCTION

The energy world is becoming more complex. Rather than a simpler world where large fossil fuel generators meet base and peak demand, customers are now becoming more sophisticated through the advent of smart meters, smart devices, on-site generation, storage and even the use of electric vehicles. Thus, assumptions about ever-increasing demand and the need for traditional wire solutions to provide access to large central generating stations are changing. Having a more flexible distribution and transmission planning process that allows for the consideration of non-wires alternatives will be important in the development of this grid of the future.

Sierra Club as a national organization has engaged in multiple discussions about the role of NWAs in multiple markets. We would note some of the groundbreaking work in markets like New York, where many utilities have used RFPs/RFQ procedures to seek-out NWAs as alternatives to traditional poles and wires, and other locations like

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California and Massachusetts. We believe that Texas would be well served by allowing NWA where appropriate, and by studying how other markets are developing NWAs.

II. RESPONSES TO QUESTIONS

1. Apart from energy storage, what non-traditional technologies could provide a potential cost-effective solution to reliability issues on a utility's transmission or distribution system?

First, energy storage could include both electric storage, such as offered by battery technology, but also "thermal" storage like chilling stations which can shift peak use in large commercial and industrial applications. In addition to energy storage, other technologies that could help reduce, avoid or defer wires solutions include energy efficiency, demand response, and distributed generation, including combined heat and power systems. Combinations of these resources should also be considered. Even traditional generation sources could be considered in some cases a solution. Electric vehicles may also provide potential through two-way communication that allows for Vehicle-to-Grid deployment and should also be included in this docket or in future dockets.

2. Can a transmission and distribution utility (TDU) legally own a non-traditional technology device, including energy storage equipment and facilities, to support reliability on its system, without a specific exemption in the Public Utility Regulatory Act? If so, under what legal authority could a TDU own such a device?

We would support an approach that would allow TDUs to incent customers to invest in resources that would lower the need for traditional distribution and transmission investments, or allow TDU to procure services from third-parties that use NWAs. In such case, the PUCT must recognize that the utility would need to recover the contract service amount paid to a third party that delayed or reduced infrastructure spending. In addition, the PUCT should allow for a "shared savings" above the expense of the project, to encourage the use of NWAs.

There are times, however, when we believe current statutes would allow the PUC to approve direct ownership of an energy storage device to solve a particular transmission or distribution challenge, but it would have to be under unique circumstances such as in the Presidio case. In these cases, the PUCT will need to carefully weigh the benefits of direct ownership above potential harm to the formation of market prices.

3. How should any energy necessary for TDU implementation of a non-traditional technology device be measured and accounted for within the ERCOT market, without using Unaccounted for Energy (UFE)?

Demand response program impacts may be identified through metered consumption, and managed through routines developed by ERCOT, while energy efficiency programs could rely on the EM & V already conducted as part of the IOU programs. In other words, we already as a state have developed a TRM document and we should use it. Similarly, we should rely on two-way meters for any onsite generation as well as energy storage charging or discharging.

4. In which situations and scenarios would it be appropriate for a TDU to deploy a non-traditional technology device for the purpose of supporting reliability on its transmission or distribution system?

It would be appropriate where it would save money and solve transmission or distribution needs or harden the system against weather extremes.

5. Should a Certificate of Convenience and Necessity (CCN) or other commission pre-approval process be required before the construction or procurement of utility- owned devices that use non-traditional technologies to support reliability on the transmission or distribution system? If so, what criteria would be

appropriate for pre-approval of such devices and why? Should such a pre-approval process only apply for a limited time?

We do not think there is a need for pre-approval of new technologies, but we would want any new investments that have rate-payer impacts - including either utility-owned or utility-procured services -- to be reviewed by the Commission through the normal rate-making process. We do not believe in general a CCN is needed.

6. Should the commission's rules permit or require a TDU to contract with a non-utility service provider for the provision of a non-traditional technology device to support reliability on the TDU's transmission or distribution system? If so, what parameters should the commission stipulate for this arrangement?

Yes, utilities should be permitted to contract with a third-party to provide the most economical option for meeting a reliability need. However, such contracts should be approved by the Commission and there should be provisions to protect ratepayers should the services not meet the need identified if the utility is recovering costs through ratepayer means.

7. If the commission were to adopt a policy of permitting a TDU to procure a non-traditional technology device for the purposes of supporting reliability on the TDU's transmission or distribution system, what potential effects would such a policy have on ERCOT wholesale market outcomes, and especially price formation, in the ERCOT market? What potential effects might such a policy have on the competitive retail market, if any?

The PUC should be careful about major changes to our wholesale market, and the Sierra Club favors allowing utilities to contract for non-wires alternatives for reliability, but not directly own or control such resources.

8. What market-based alternatives exist, if any, to address reliability issues on a TDU's transmission or distribution system?

The PUC and ERCOT could consider allowing or even requiring that TDU include NWAs in thir planning processes. As an example, when a TDU identifies a transmission need, they could be required to issue an RFQ for transmission alternatives to the market, and ERCOT could be required to examine potential solutions as part of the RTP process, in much the same way that ERCOT currently looks at MRA for RMR contracts.

In addition, utilities already are required to run energy efficiency programs, and utilities could examine the avoided transmission and distribution costs from these programs - as well as potential future benefits that could arise with increased investments that would not only save energy but help increase reliability.

9. How could a vertically integrated investor-owned utility maximize the value of an energy storage device without adversely affecting wholesale market outcomes and price formation in its respective market?

No comment.

10. What impediments exist to using non-traditional technology devices on utility transmission or distribution systems?

Utilities are currently not allowed to recover their capital costs related to the incorporation of non-traditional devices or services, and are not allowed in the competitive market to own devices that could provide generation. In addition, ERCOT does not get involved in distribution system planning and has little visibility on distribution level resources. In addition, ERCOT's current transmission planning process does not recognize NWAs as part of the planning (other than the impact of new generation on that transmission system), and there is no mechanism for third-parties to

suggest NWAs while ERCOT and IOUs are considering solutions to a transmission issue.

11. Could the commission specify conditions under which a TDU could employ non- traditional technologies to support reliability? If so, what conditions would be appropriate?

Yes, as the Commission has done in the past, the commission can establish the conditions that allow a TDU to either own or contract non-wires alternatives to support reliability. Thus, in the past, the Commission has approved batteries in Presidio to assure reliability under certain strained conditions and the commission could specify under what conditions direct ownership could be allowed. In general, however, we would support creating a mechanism by which third-parties could provide solutions that would then be approved by distribution and transmission utilities, and ultimately the PUC.

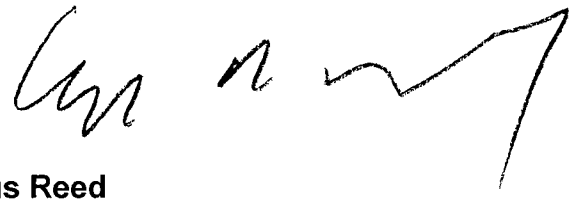
12. If you are a utility, please provide a detailed overview of any batteries or other energy storage technologies on your transmission and distribution system in the state of Texas that are either currently operational or planned to be operational. Please explain the purpose, use, metering, and deployment of these technologies.

No Comment.

13. Are there any other issues that the commission should consider addressing in this project?

We believe the role of EVs should be considered in this docket or a future docket.

The Lone Star Chapter of the Sierra Club appreciates the opportunity to provide these brief comments.



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