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**RULEMAKING TO ADDRESS THE
USE OF NON-TRADITIONAL
TECHNOLOGIES IN ELECTRIC
DELIVERY SERVICE**

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**BEFORE THE PUBLIC UTILITY COMMISSION OF
TEXAS**
2018 NOV 16 PM 2:31
PUBLIC UTILITY COMMISSION
FILING CLERK

**REPLY COMMENTS OF
ENVIRONMENTAL DEFENSE FUND OF TEXAS, INC.**

COMES NOW, Environmental Defense Fund of Texas, Inc. ("EDF") and files these reply comments in response to questions posed by Commission Staff.¹ EDF appreciates the opportunity to provide these reply comments. EDF is a non-profit, non-partisan, non-governmental environmental organization that combines law, policy, science, and economics to find solutions to today's most pressing environmental problems.

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?

A broad spectrum of commenters identified demand response, energy efficiency, distributed generation, volt-var, and other clean energy technologies and strategies as cost-effective alternatives to the traditional technologies used to ensure reliable operations of the transmission and distribution grid.² EDF supports this acceptance of the use of clean energy technology strategies as sound strategies to support reliability on the transmission and distribution grids and also appreciates that this is an issue that is getting attention at a national level. At its

¹ 43 Tex. Reg 6901 (Oct. 12, 2018).

² Comments of El Paso Electric Company on Rulemaking to Address the Use of Non-Traditional Technologies in Electric Delivery Service at 2; Comments of Entergy Texas at 2; Comments of the Office of Public Utility Counsel on the Published Proposed Amendment to 16 TAC § 25.247 at 2-5 and Attachment A (OPUC Comments); Comments of Texas Advanced Energy Business Alliance at 9-11 (TAEBA Comments); Comments of Lone Star Chapter of the Sierra Club at 2 (Sierra Club Comments); Comments of Public Citizen at 2-3 (Public Citizen Comments); CPS Energy's Comments in Response to Staff's Questions Regarding the Use of Non-Traditional Technologies at 2-3; NRG Energy, Inc. Comments on the Questions Regarding the Use of Non-Traditional Technologies in Electric Delivery Service at 2; Oncor Electric Delivery Company LLC's Response to Questions at 1; Texas Energy Association for Marketers' Response to Commission Staff Question Numbers 1-13 at 1-2; and Vistra Energy's Initial Comments at 3.

2018 Annual Meeting that just concluded this week, the National Association of Regulatory Utility Commissioners (“NARUC”) approved a resolution recommending principles for modeling storage and other flexible resources.³ For communities in Texas like Houston and the Dallas/Fort Worth area that face increasing challenges to comply with federal clean air requirements, though, it will be critically important that the implementation of electric storage technology, as well as all other non-traditional technologies, is done in a manner that minimizes the emissions of the electric grid as a whole.⁴ The reduction of air emissions in our communities is vital if Texas is going to continue to grow and prosper.

As the Commission evaluates the extent to which TDUs should consider the use of non-traditional technologies to support grid reliability, especially distributed energy resources (“DERs”) like energy storage or distributed generation, there are a wide variety of benefits that DERs can provide to the electric grid. These include, without limitation, the following:

- DERs tend to cost less than major capital improvements and can solve the same grid issues in many circumstances;
- DERs can provide electricity resiliency in times when the grid is inoperable;
- DERs can take advantage of efficiencies gained by avoiding transmission losses and losses associated with step-up and step-down conversions; and
- DERs already have established a track record in other jurisdictions of helping avoid the need for major substation upgrades. One example is New York City's Consolidated Edison deferred a \$1.2 billion substation upgrade with \$200 million in contracts for 69 MW of DER and DR in their Brooklyn Queens Demand Management (BQDM) project.⁵

³ NARUC, Resolutions Proposed for Consideration at the 2018 Annual Meeting and Education Conference (revised 11/12/2018 7:09 p.m.) at 3 (ERE-1 [EL-4]) accessible at <https://pubs.naruc.org/pub/BF35538B-B75F-6495-0F61-9D9BBA61D76F>.

⁴ In Texas, both the Houston area, Dallas/Fort Worth area, and 5 other Moderate ozone non-attainment areas that missed the 2008 ozone standard attainment deadline of June 20, 2018 and did not qualify for a 1-year extension of the deadline face the potential to be designated as Serious for ozone non-attainment. This new designation will require higher offset ratios for major source modifications and new sources, as well as a reduced threshold for qualifying as a major source.

⁵ For more information on this project, please see Griffin Reilly, Brooklyn Queens Demand Management Program Implementation and Outreach Plan (Jan. 29, 2018) (available at <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7B8FF8D6D6-7E2B-4D83-9B9C-8B3E54612B8C%7D>).

EDF anticipates that one of the benefits the Commission and TDUs will realize from the deliberations in this proceeding is the potential benefits that increased use of DERs and other non-traditional technologies can bring to the electric grid for the benefit of consumers and their utilities.

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?

In their initial comments, a number of commenters stated their position that current law would not allow a TDU to own energy storage equipment and facilities to support reliability on its system. Commenters with this position include The Alliance for Retail Markets, Apex Compressed Air Energy Storage, Brazovan Energy Solutions, NRG Energy, Inc., Office of Public Utility Counsel, Texas Competitive Power Advocates, Texas Energy Association for Marketers, Texas Industrial Energy Consumers, and Vistra Energy.⁶ EDF agrees, and respectfully submits that, in the absence of a specific exemption being added to the Public Utility Regulatory Act, the most appropriate way for a TDU to avail itself of the benefits that can be realized from energy storage equipment and facilities to support reliability on its system is through the use of contracts with third parties.⁷

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?

⁶ Initial Comments of the Alliance for Retail Markets at 3-5; Comments of Apex Compressed Air Energy Storage at 2; Brazovan Energy Solutions' Comments Regarding Staff's Questions at 1; NRG Energy, Inc. Comments on the Questions Regarding the Use of Non-Traditional Technologies in Electric Delivery Service at 2-3; Comments of the Office of Public Utility Counsel on the Published Proposed Amendment to 16 TAC § 25.247 at 5-6; Texas Competitive Power Advocates (TCPA) Reply to the Staff Request for Comments at 1-3; Texas Energy Association for Marketers' Responses to Commission Staff Question Numbers 1-13 at 2-3; Texas Industrial Energy Consumers' Initial Comments at 2-3; and Vistra Energy's Initial Comments at 4-12.

⁷ Comments of Environmental Defense Fund of Texas, Inc. at 2 (EDF Comments).

In its Comments, ERCOT noted that it may not incorporate all reliability solutions implemented by TDUs in ERCOT's planning and operational reliability assessments.⁸ ERCOT stated that, in order for it to consider and rely on a non-traditional technology ("NTT") as a reliability solution and reflect it in its reliability assessments,

there must be an expectation that the Resource will be available under peak conditions – because:

- (a) ERCOT has the ability to dispatch the Resource,
- (b) the device is tied to a regular usage pattern, or
- (c) because there is a strong financial incentive for the resource to be available.^[9]

The Commission and ERCOT should address this issue in order to maximize the value that may be realized from the use of NTTs to support grid reliability. If a TDU contracts for the use of an NTT to support reliability, the cost savings the TDU intends to realize will not inure to the benefit of customers if the results of ERCOT's reliability assessment continues to be that the reliability issue has not been resolved and additional investment in wires and poles is required.

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

In its comments, Public Citizen commented on the lack of transparency in the distribution system planning process that limits the opportunity for third parties to propose solutions to areas where potential problems are developing.¹⁰ Texas Advanced Energy Business Alliance and Sierra Club also commented on this limited visibility.¹¹ EDF agrees that this is an impediment to the growth and use of NTT devices on the distribution system. Coordination could be possible at the distribution level, for example a Distribution System Operator ("DSO") could use nodal pricing

⁸ Electric Reliability Council of Texas, Inc.'s Responses to Public Notice of Request for Comments at 3 (ERCOT Comments).

⁹ *Id.*

¹⁰ Public Citizen Comments at 14.


¹¹ TAEBA Comments at 14; Sierra Club Comments at 5-6.

(“LMPs”) which could provide the basis for network investments where constraints arise. The application of LMPs to distribution offers a method of accounting for spatial variations (particularly congestion and losses) increasingly seen with the greater presence of distributed assets. Distribution Locational Marginal Prices (“DLMPs”) could offer a method of clearing markets at the distribution level and could provide information on congestion in a network due to transmission constraints. These market signals would allow greater transparency to customers and/or third parties interested in investing in non-traditional technologies and would provide a better understanding of whether their investment could help address the needs of the transmission and distribution grids.¹²

CONCLUSION

EDF appreciates the opportunity to submit these reply comments and looks forward to working with the Commission and interested stakeholders on these issues.

Respectfully submitted,


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¹² The following paper examines the application of DLMPs to a region of the South West of England and the results of that study: C. Edmunds, W.A. Bukhsh, and S. Galloway, The Impact of Distribution Locational Marginal Prices on Distributed Energy Resources: An Aggregated Approach (2018) (available at https://strathprints.strath.ac.uk/64856/1/Edmunds_etal_IEEE_EEM_2018_The_impact_of_distribution_locational_marginal_prices.pdf).