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Received - 2022-06-17 01:11:47 AM

Control Number - 51603

ItemNumber - 65

PUC PROJECT NO. 51603

PUC PROJECT NO. 52373

REVIEW OF DISTRIBUTED ENERGY RESOURCES § BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

SUPPLEMENTAL COMMENTS FROM TESLA, INC.

Tesla, Inc. (Tesla) appreciates the opportunity to provide supplemental comments regarding the Commission's discussions on June 16, 2022 at the Open Meeting (Open Meeting) of Tesla proposal OBDRR041 and the prior work Tesla has completed to demonstrate the technical capacities of a Virtual Power Plant in Texas.

Tesla appreciates the Commission's comments at the Open Meeting related to Distributed Energy Resource (DER) pilot projects, and particularly supports the discussion between Commission representatives, ERCOT staff, and market participants regarding real implementation on the system through a pilot as opposed to a task force approach, the latter which could unnecessarily create delays for implementing a grid service solution for DERs. Tesla appreciates the Commission's direction to go forward and encourage ERCOT to get stakeholders together to develop a pilot project, which can allow the market solution of exports from Virtual Power Plants to be tested, and also address issues raised by utilities and other market participants regarding the potential impacts of site-exporting DERs on distribution facilities and net impact and benefits to the transmission grid.

Tesla would like to clarify and provide information in response to a few discussion items raised at the Open Meeting.

OBDRR041 Status

The OBDRR041 proceeding is currently tabled at the ERCOT Technical Advisory Committee, which means that Tesla would not seek a vote on the item until further development of issues and positions from ERCOT and potential members of the Technical Advisory Committee. At this time, Tesla believes that OBDRR041 may remain tabled at the Technical Advisory Committee pending consideration of the feasibility of a Virtual Power Plant pilot as the Commission proposed at the Open Meeting.

ERCOT Pilot Proposal

Tesla would like to share its initial views on the formal ERCOT Pilot proposal introduced at today's Open Meeting (referencing the Commission's Substantive Rules Ch. 25, Section 25.361 (k), Pilot Projects). For a formal ERCOT pilot approach to be a feasible alternative to OBDRR041: a pilot should (i) have ERCOT's support and the market's acceptance and approval from ERCOT's governing board, (ii) be amenable to commercialization in that sufficient participants could be aggregated across sufficient distribution service areas (more than one, but in capped quantities in each service area as described in a proposed pilot framework), (iii) adequately capture data addressing clearly identified distribution utility concerns, in parallel to or as part of the pilot's scope, (iv) have provisions to ensure market services compensation commensurate with grid services provided by pilot participants, and (v) have an identified "start date" and "end date" which are technically feasible for involved parties. Additionally, the following are requirements in Section 25.361 (k) regarding pilot development and approval:

(2) Process for Development and Approval of Pilot Projects.

ERCOT may conduct a pilot project upon approval of the scope and purposes of the pilot project by the governing board of ERCOT. Proposals for approval of pilot projects shall be made to the governing board only by ERCOT staff, after consultation with affected market participants and commission staff designated by the executive director. The ERCOT governing board shall ensure

that there is an opportunity for adequate stakeholder review and comment on any proposed pilot project. Pilot project proposals approved by the ERCOT governing board shall include:

- (A) The scope and purposes of the pilot project;
- (B) Designation of temporary exceptions from ERCOT rules that ERCOT expects to authorize as part of the pilot project;
- (C) Criteria and reporting mechanisms to determine whether and when ERCOT should propose changes to ERCOT rules based upon results of a pilot project;
- (D) An estimate of costs ERCOT will incur attributable to the pilot project; and
- (E) An estimated date of completion for the pilot project.

Citation: PUC Texas Substantive Rules, Chapter 25, Section 25.361(k)(2)

NOIE-Only Pilot

Responding to a question posed to Tesla by Chairman Lake at the Open Meeting, Tesla is initially concerned that it would not be able to scope a pilot in a Non-Opt-in-Entity (NOIE) area. Primarily, this approach may not be economically rational as it could mean a substantial resource investment in a pilot that is not scalable to a commercial retail offer where Tesla could continue to directly serve those customers and grow the program's strength and viability. The customers in a pilot should be able to continue to benefit from the value for their systems beyond the end-date of the pilot, in a commercially viable solution – but with a NOIE-only pilot, Tesla would have no control, legally or otherwise, over the continued participation of such customers once the pilot closes, even if a viable market participation framework is implemented following that pilot's conclusion. Any formal program participation of those customers would be solely at the option of the NOIE serving those customers. More simply, the purpose of a pilot is to study a solution that can be scaled following adoption of market rules based on pilot learnings. To build a program off the learnings of a pilot, the customer base involved in the pilot should be able to continue service under that formalized program, so that parties involved are not running the risk of raising a wholly new set of unstudied issues in a new distribution system type that was not part of the pilot.

Conclusion

Tesla appreciates Chairman Lake's comments at the Open Meeting that "nothing teaches like experience, so the sooner you get something in the field, the more you learn faster." Tesla looks forward to the next steps articulated at the Open Meeting regarding the leadership of Commissioner McAdams and Commissioner Glotfelty over setting a scope, timeline, and direction for a pilot Virtual Power Plant approach, with the goal of harnessing ERCOT DERs' full capacity – as load-modifying and exporting devices dispatchable under ERCOT command and control.

Respectfully Submitted,

_____s/_____

Arushi Sharma Frank
US Energy Markets Policy
Tesla, Inc.
asharmafrank@tesla.com