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Item Number: 66

Public Utility Commission of Texas

Commissioner Memorandum

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TO: Chairman Peter M. Lake
Commissioner Lori Cobos

FROM: Commissioner Will McAdams
Commissioner Jimmy Glotfelty 

DATE: July 13, 2022

RE: July 14, 2022 Open Meeting, Agenda Item No. 16
Project No. 51603 – *Review of Distributed Energy Resources*

As discussed during the June 16, 2022 Open Meeting and July 11, 2022 Aggregated Distributed Energy Resources (DER) Pilot Workshop, we support efforts to create a pilot project to test impacts of small scale DER aggregation in the ERCOT market. The pilot will answer questions related to how aggregated distributed generation can support reliability, enhance the wholesale market, incentivize investment, potentially reduce transmission and distribution investments, and support better load management during emergencies. In the short term, we expect the pilot will bring in vital megawatts (MWs) of resources for participation in the ERCOT market.

ERCOT staff are required to prepare and present a governing document detailing the project scope to ERCOT's board of directors. The PUC will form a Task Force to identify operational obstacles to launching a pilot program and to assist ERCOT in drafting the governing document. The next meeting to discuss the purpose and structure of the Task Force will be held on July 28, 2022. The governing document should be presented to the ERCOT board by October 11, 2022 so that it can meet a desired pilot start in the first quarter of 2023.

As discussed during the Aggregated DER Pilot Workshop, the pilot project should consider the following guiding principles:

- 1.) Understand the impact of having ancillary services carried on the distribution system.
- 2.) Create a structure that incentivizes competition and attracts broad DER participation through load serving entities (LSEs).
- 3.) Measure the impacts to relieving or causing congestion on the distribution system, and study how to transition distribution-level aggregations to more granular dispatch and settlement.
- 4.) Ensure adequate customer protection is in place and information is anonymized.
- 5.) Start simple while ensuring economies of scale exist on a MW basis to attract broad participation. The pilot parameters should have the flexibility to progress to more complex scenarios as participation increases.

In terms of project scope,

- **Scale** – Aggregations should be constrained within a load zone, with a single LSE, and served by the same transmission and distribution service provider (TDSP) with the potential for DER Management Systems (DERMS) aggregators to participate in the future. Participating TDSPs may limit pilot area based on feeder availability and information provided by LSEs related to their DER customers.
- **Duration** – The pilot should continue until implementation of ERCOT market rules to accommodate aggregation or until ERCOT deems the pilot project unnecessary. We expect a minimum of 3 years which will allow for incorporation of EMS upgrades, testing of customer migration, and qualifying resources for ERCOT services.
- **TDSP Participation** – It is imperative that competitive area transmission and distribution utilities (TDUs) and non opt-in entities (NOIEs) participating in the pilot are willing participants and actively engaged to ensure safety and quality of experience to their customers. We expect reliability to be the ultimate consideration by TDSPs for qualifying DER customers.
- **Interchange of Customers** – The acquisition of customers should be handled by the LSE with terms and conditions to provide relevant operational data and a good customer experience that prioritizes affordability and reliability.
- **Reliability** – TDSPs should have the ability to manage participation considering system constraints, regular maintenance, and emergency situations. ERCOT in participation with the TDSPs shall be enabled to mitigate operational hazards and demands in this new era of transmission and distribution management.

We look forward to discussing this matter at the upcoming open meeting.