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PROJECT NO. 51840

**RULEMAKING TO ESTABLISH
ELECTRIC WEATHERIZATION
STANDARDS**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**INITIAL COMMENTS OF THE CITY OF HOUSTON
ON THE PROPOSAL FOR PUBLICATION FOR NEW 16 TAC § 25.55**

The City of Houston (“Houston”) respectfully submits these comments in response to the Proposal for Publication for new 16 Texas Administrative Code (TAC) 25.55 as approved at the August 26, 2021 Work Session and issued by Public Utility Commission of Texas (“Commission”) relating to electric weatherization standards, as required by Senate Bill (“SB 3”), 87th Legislature Session (“Regular Session”).

Houston appreciates the work and effort put forth by the Commission Staff and Commissioners to develop the proposed Phase 1 rules on a timeline that will allow for winter weatherization improvements at generation and transmission facilities prior to the upcoming 2021-2022 winter season. Houston supports improving grid reliability in a cost-effective manner that would help prevent a recurrence of the Winter Storm Uri blackouts during future extreme winter weather conditions.

Summary

Houston’s comments will address:

- The proposed improvements in preparedness for extreme winter weather events and recommendations regarding transmission service providers (“TSP”) supplier contracts.
- The weatherization of transmission facilities since the recovery of these transmission-related costs are regulated.
- Reporting of uncompleted TSP weatherization projects.
- The cost recovery of weatherization in future rate proceedings.

Houston's comments about weatherization and costs do not deflect from Houston's support for new weatherization requirements for generation facilities as well as for transmission facilities.

In the Proposal for Publication, the Commission requests "specific comments regarding the costs associated with, and benefits that will be gained by, implementation of the weatherization requirements included in the proposed rule. These specific costs and benefits will need to be provided by the generators and TSPs that are required to implement the proposed rules. Houston supports the Commission's intent to consider specific cost/benefit information when finalizing the proposed rule.

Section 25.55 (c)

One important generation-related weatherization requirement that is missing in Section 25.55 (c) of the proposed rule is requiring generators to contract with fuel suppliers and fuel delivery entities that have also weatherized their facilities. It is important that generators winter weatherize their own facilities. However, that cost and effort by generators may be for naught if their fuel suppliers and fuel delivery providers cannot perform because they have not properly weatherized for extreme winter weather. For the upcoming 2021-2022 winter season, it may not be possible for generators to fully implement this requirement due to existing contract provisions. If that is the case, then generators should still be required, to the extent possible, to implement this requirement. In addition, the Commission should require generators to submit information on those existing fuel supply contracts and fuel delivery contracts that it is unable to change to require the contractor to weatherize its facilities and fuel sources. This information will identify the at-risk fuel supplies for the upcoming 2021-2022 winter season and will be valuable to the Commission in determining the State's preparedness and in preparing The Commission's Weather Emergency Preparedness Report to the Legislature.

Section 25.55(f)

While the proposed weatherization rules for TSPs do include specific requirements such as sub-sections (1)(E) and (1)(F), some sub-sections, such as sub-section (1)(C), are broad. These broad requirements give TSPs discretion to implement weatherization requirements that may not be supported by corresponding benefits. As stated in the preamble to the proposed rule, TSPs are required to implement the “key recommendations” contained in the 2011 report “Outages and Curtailments During the Southwest Cold Weather Event of February 1-5, 2011” prepared jointly by the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation (NERC) (the FERC/NERC Report). The proposed rule appears to include those specific requirements in the FERC/NERC Report. While Houston does not oppose TSPs implementing additional weatherization upgrades, the rule should provide more specific parameters for any additional upgrades rather than the broad language of “all actions necessary” contained in the proposed rule. These additional parameters should include information such as (1) why the additional item is needed, (2) the estimated costs and expected benefits of the upgrade, and (3) how it would have helped prevent any outages that occurred during Winter Storm Uri.

Section 25.55(g)

This section of the proposed rule requires ERCOT to conduct inspections of transmission systems for preparedness for the 2021-2022 winter season. After the inspection, ERCOT is to provide the TSP a report on their inspection, including the identification of any deficiencies in their winter weather preparedness. ERCOT is also to provide the TSP a reasonable period to cure the deficiencies based on proposed guidelines. Houston recommends that ERCOT be required to submit a report to the Commission that identifies all TSP’s weatherization projects that will not be

completed prior to the beginning of the 2021-2022 winter season, the reason for the delay, and the expected cure date. Again, this information will be important for determining the State's preparedness for the 2021-2022 winter season and for preparing the Commission's Weather Emergency Preparedness Report for the Legislature. Also, the Commission should consider including a provision for fining TSPs that fail to meet ERCOT's curing deadline.

Section 38.075(e) of SB 3

Section 38.075 of SB 3, titled Weather Emergency Preparedness, provides the Legislature's requirements for generator and TSP weatherization. The proposed Phase 1 rules address the sub-sections of Section 38.075 except sub-section (e). That sub-section requires the Commission to allow transmission and distribution service providers (TDSPs) "to design and operate a load management program for nonresidential customers" to be used where the independent system operator (ISO) has declared a Level 2 emergency, or higher. Several TDSPs may already have these nonresidential load management programs that can meet this requirement. For the other TDSPs, if such programs are cost effective and can be used to meet load shedding requirements during extreme weather emergencies, Houston supports including a provision in the proposed rule that implements this requirement of SB 3. It may be that the Commission Staff intends to address this requirement in Phase 2. If so, Houston recommends that the Phase 1 rules include a requirement that TDSPs that already have such load management programs in place for the 2021-2022 winter season to provide a report to the Commission describing the capability of their programs, including the amount of load that can be shed.

Weatherization Cost Recovery

The proposed rule does not address cost recovery of the increased costs incurred by generators and TSPs to implement the requirements of the proposed rule. Since ERCOT generators operate in a competitive market, PURA does not allow for direct recovery of weatherization costs from retail customers in deregulated areas. Instead, ERCOT and the Commission will need to consider ERCOT market design changes that may compensate generators for their increased costs.

The proposed rule also does not address cost recovery of TSPs' increased costs for weatherization. Under current regulations, TSPs can recover these higher costs from their wholesale customers by increasing their transmission cost of service (TCOS). For the investor-owned load serving entities (LSEs) in ERCOT, they can pass through the higher TCOS charges to their retail customers through their transmission cost recovery factor (TCRF).

At this time, the estimated level of TSP increased costs for weatherization is not available. The current cost recovery process does not provide the Commission with any flexibility or options for the recovery of TSPs' weatherization costs from wholesale and retail customers. The Commission should consider other cost recovery options. One option would be to allow TSPs and/or TDSPs to defer their weatherization-related cost increases and to seek recovery of the deferred costs in a future rate case.

Houston appreciates the opportunity to submit comments on the proposed weatherization rules.

Respectfully Submitted,

CITY OF HOUSTON, TEXAS

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