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TEMPORARY EMERGENCY § PUBLIC UTILITY COMMISSION OF
ELECTRIC ENERGY FACILITIES § TEXAS
AND LONG LEAD-TIME FACILITIES §

HUNT ENERGY NETWORK L.L.C. COMMENTS

Hunt Energy Network, L.L.C. (“HEN”) submits the following comments in response to the Public Utility Commission of Texas (“PUCT” or “Commission”) Staff’s request for comment on 16 TAC §25.56, Temporary Emergency Electric Energy Facilities and Long Lead-Time Facilities (“TEEEF”) dated May 2, 2024.

We were struck by an answer the CenterPoint Energy (“CenterPoint”) representative gave to a query from Commissioner Cobos at the July 11, 2024 Open Meeting about sourcing of materials for response to Hurricane Beryl. The representative answered that he had no concerns about materials but was concerned about having sufficient diesel fuel for the mobile generation units for the extended outages.¹ Over a million customer meters were out of power due to distribution plant issues, and CenterPoint is worrying about its non-core mobile generation assets. Many businesses and public facilities that require uninterrupted power have access to backup generation on their own, and there is a vibrant competitive market providing that service. A key point of the State’s 1999 restructuring law was to fully separate the power delivery business from the power generation and sales businesses, so each would focus exclusively – and competently -- on their core business. The 2021 statutory provision that permitted utilities to procure and recover the costs of mobile generators with a markup was the first breach in that clear wall, and the provisions covering their use were carefully focused.

Conceptually, the TEEEF is intended to provide another layer of customer assurance when mitigating against load shed events of significant size and or duration, and or distribution systems being disconnected from wholesale transmission service. HEN is supportive of efforts to provide further system resilience and assurances to Texas customers that, when faced with major catastrophes and system-wide outages, additional measures are in place to protect lives and safety.

¹ Jason Ryan, Executive Vice President Regulatory Services and Government Affairs for CenterPoint Energy, highlighting need for diesel fuel supplies for emergency generation during July 11, 2024 Open Meeting (Admin Monitor 1:05:55/4:17:23)

Unfortunately, however, the methodology in which these safety measures will be implemented is far from ideal. The procurement of these generation facilities by wires companies, rather than being provided as a competitive service, is seemingly the first step in the re-verticalization of the industry. As such, prior to permitting the cost recovery of these TEEEF facilities by TDSPs, the Commission should carefully weigh the absolute amount of needed emergency generation, taking into consideration resiliency (16 TAC §25.62), segmentation studies (PURA §38.078), as well as the growing number of customer-sited back up generation (PURA §34.0204) and flexible load resources. It is incumbent on the TDUs to justify the amount of generation procured against spending those resources on a more optimally and well-coordinated distribution system. Additionally, the focus of the TEEEF on interconnecting facilities at distribution voltage feeders further underscores the more important role that the TDUs should play in expediting interconnection and operation of third-party owned generation, storage and load control assets. We should be throwing out the same big welcome mat at distribution as we did for transmission connected assets a generation ago. Having a holistic comparative review of the system in this TEEEF process will minimize costs incurred by customers² and optimize the efforts that have been driven by the legislature.

HEN recommends that TEEEF contracts should contain periodized and standardized expiry dates through which market participants can competitively bid to provide those services. Regular and standardized expiration of these lease contracts will allow for the continued refreshing of costs rather than saddling customers with lengthy and costly riders. It may be said that administrative requirements of periodized contracting periods would result in an increase in costs. HEN believes, however, that standardized contracting periods will be marginal relative to the cost savings of long-term leases. Additionally, costs during riskier periods (winter, summer, hurricane, tornado seasons) could be refreshed (rising or falling) and allocated during the interim DCRF updates.

² HEN observes that the amount being recovered in CenterPoint's regulated residential rates for TEEEF (0.239 cents/kWh) is almost triple the amount being recovered in its Energy Efficiency Cost Recovery Factor (0.082 cents/kWh).

Responses to Questions

- 1. The commission's current precedent in distributed cost recovery factor proceedings addressing TEEEF costs is that "[a]bsent any applicable [c]ommission rule that provides otherwise, the determination of reasonableness and necessity must be made at the time the [c]ommission approves the [TEEEF] costs." (See Docket No. 53442, Item 166). The proposed rule, instead, requires a TDU to obtain preapproval for the amount of TEEEF generating capacity the TDU seeks to lease and defers the commission's evaluation of the reasonableness and necessity of the TDU's TEEEF costs to the TDU's next comprehensive base rate case. The commission requests comments on the legal support and policy benefits for each of these approaches and on any process efficiencies either of these approaches will provide.*

HEN believes that it is prudent to conduct a thorough review of these generation costs during rate case proceedings due to the relatively novel nature of these costs and the potential impact of the TEEEF program on competitive back-up generation services. By nature, generation is an inherently competitive product as it can be procured at various levels; transmission, distribution, and/or self-supplied. When provided through an uncompetitive mechanism, customers lose the innate check and balance naturally provided by competition - high prices curing high prices, low prices curing low prices.

As suggested previously, because TEEEF generation is being provided uncompetitively, it is essential that a mechanisms be put in place that ensures customers are not encumbered by long-term, inefficient, and ineffective riders. Therefore, it is certainly reasonable that full TEEEF efforts be thoroughly reviewed not only during rate cases but costs scrutinized during DCRF interim updates to ensure competitive forces are driving down regulated costs paid by customers.

- 2. Proposed §25.56(c) requires a TDU to obtain commission approval for the amount of TEEEF generating capacity the TDU seeks to lease.*

- a. *Should a TDU be required to obtain commission approval before entering into, renewing, or extending a lease involving a TEEEF? What are the advantages and disadvantages of such a requirement?*
- b. *If the rule should contain a pre-approval process, what is the appropriate level of granularity for the commission's review? For example, should the commission preapprove the sizes and types of units the TDU seeks to lease?*

HEN recommends the commission focus on providing customers with maximal reliability at least cost. Toward that end, contract standardization and regular periodization will project to the market an expectation of continuous competition for these services. It is appropriate for the commission to approve initial contract agreements, renewals, or lease extensions because of the novel nature of the TEEEF. Once the standard contracts and contracting periods have been established in the market, approvals may only be needed on an ad hoc basis and filed publicly similar to generation interconnections.

TDUs should provide the commission with the appropriate evidence to justify the amount of capacity being sought, and the size and type of units being proposed. This evidence should compare the TEEEF justification against resilience planning, segmentation studies, grid modernization efforts, DER integration, etc. This information will provide to the commission a holistic view of the TDUs system planning, resilience, and whether the amount of generation being procured is commensurate with the need and is the most effective use of limited resources to spend toward resiliency. Moreover, because the TDU's primary responsibility is to ensure the deliverability of generation, the commission can determine if the tool is appropriate for the intended purpose.

3. *Proposed §25.56(f)(9) requires a TDU to file an after-action report with the commission following each TEEEF deployment. The commission requests comments on the proposed required contents of these after-action reports. Specifically, should the TDU be required to provide more granularity on the size and types of units deployed? Conversely, should*

the TDU be required to provide information on any leased TEEEF that was not deployed, and why?

Absolute transparency with TDU deployments is critical when evaluating any potential market disruptions or distortions. Transparency provides the commission with actual response capabilities, capacities, and effectiveness of the technologies when deploying these emergency resources. Additionally, it is critical that TDUs not “take their eye off the ball” because of their new permissions to operate generating units. The TDU’s core role in our State is to operate and maintain a robust, dependable power delivery system. When weather impacts that system, customers depend on the TDU – and only on the TDU – to lead the often-Herculean effort to restore it. It is critical that the TDU not be distracted from that effort, whether by management of these TEEEF facilities or any other non-core enterprise.

CONCLUSION

HEN appreciates the opportunity to offer these comments and is available to answer any questions the Commission may have.

Respectfully submitted,

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COMMENTS BY HUNT ENERGY NETWORK L.L.C
EXECUTIVE SUMMARY

- Temporary Emergency Electric Energy Facilities (TEEEF) are a critical layer of protection for Texas customers, particularly as energy demands grow and weather becomes increasingly more variable and destructive.
- These facilities must be procured in the most competitive manner to ensure that captive customers are not saddled with high cost and long-term riders. Additionally, HEN recommends the Commission review TEEEF requests holistically, taking into account whether Transmission and Distribution Service Provider (TDSP) considered resilience plans, segmentation studies, distributed energy resource (DER) integration, grid modernization and other factors and how the limited resources available to the utility for resiliency are best spent.
- Deployments of TEEEF resources should be highly scrutinized to ensure that the tools were utilized effectively and economically, providing true benefit to the Texas customer. Additionally, it is critical that the Commission ensure that the TDSPs continue to focus on the deliverability of electricity, particularly during acute emergencies, and not be distracted by the new, shiny penny of generation operation.