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COST RECOVERY FOR SERVICE TO	§	PUBLIC UTILITY COMMISSION
DISTRIBUTED ENERGY RESOURCES	§	
	§	OF TEXAS
	§	

SHELL ENERGY’S RESPONSE TO STAFF QUESTIONS

Shell Energy North America (US) LP (“Shell Energy”) appreciates the opportunity to provide comments on the Proposal for Publication (“PfP”) filed by the Public Utility Commission of Texas (“Commission”) Staff (“Staff”) regarding the cost recovery for service to distributed energy resources in the Electric Reliability Council of Texas (“ERCOT”) region. Shell Energy has a widespread stake in the electricity market, spanning retail interests, thermal generation ownership, energy scheduling, renewable and emerging technology development, and risk management services spanning the transmission and distribution system. Given the wide array of interests, Shell Energy advocates for transparent, competitive, technology-neutral market-based solutions to achieve desired reliability objectives at the lowest cost.

I. RESPONSE TO QUESTIONS POSED BY STAFF

Question 2: What are the advantages and disadvantages of the proposed standard distribution resource interconnection allowance? Is a standard distribution resource interconnection allowance a viable option to move forward? If not, why?

Shell Energy supports introducing an allowance for distribution resource interconnection as it addresses a significant barrier to entry for DERs. The proposal would provide a standardized framework for interconnection costs and hence would bring greater transparency and predictability to the distribution interconnection process. DERs improve grid reliability and resilience comparable to transmission connected resources and should be at parity with transmission connected resources from an interconnection cost perspective.

Question 3: At what amount should a standard distribution resource interconnection allowance be set? Should the applicability or amount of the allowance vary based on the size of the resource?

Shell Energy supports Commissioner Glotfelty’s recommendation of a \$1.5 million interconnection cost allowance for DERs as this amount should typically cover the necessary interconnection costs. To maximize benefits for DERs without disproportionately and unduly increasing interconnection expenses, the size of the allowance could be made to vary based on the

size of the interconnecting resource. Varying it by size would encourage prudence in smaller projects. If the decision is to vary the allowance based on the size, then it should be standardized based on a PUC defined range of sizes to ensure transparency and consistency.

Question 4: How should the interconnection costs covered by such an allowance be reallocated? What effects would this have on other customers?

Given that DERs provide system-wide grid support including resource adequacy support, voltage support and reduced need for transmission, Shell Energy advocates for the socialization of these interconnection costs, similar to the existing model for transmission connected generation. This approach would streamline cost allocation and reflect the broader benefits that DERs provide to the grid, ultimately benefiting all consumers.

Question 5: Should a standard distribution resource interconnection allowance also apply in areas served by municipally owned utilities and electric cooperatives?

Yes, non-cooperative and municipality owned DERs should be allowed to take advantage of the interconnection allowance regardless of their location. Achieving consistency across all areas is crucial to improve transparency and remove barriers to entry. If the allowance is not available in certain areas, DERs would be improperly incentivized to locate outside of these areas. This would increase the risk of DERs being sited in suboptimal locations from grid reliability perspective.

Question 6: If a standard distribution resource interconnection allowance should apply in areas served by municipally owned utilities and electric cooperatives, does the Commission need to develop a wholesale cost recovery mechanism to address the costs associated with this allowance? What factors should the Commission consider in developing such a mechanism?

The Commission should develop a cost recovery mechanism that aligns with the established procedures for recovering transmission costs. This will ensure a fair and efficient approach to managing the financial implications of the interconnection allowance given the system wide benefits these resources provide.

Separate from his primary policy proposal, Commissioner Glotfelty's memo also noted that a resource receives different treatment based on whether it interconnects at transmission or distribution voltage.

Question 7: What disparities exist between distributed generation and energy storage resources interconnecting at transmission and distribution voltages?

The transmission interconnection study process, timeline and costs are standardized while the process on the distribution system is highly dependent on the particular distribution service provider (DSP) in each area and subject to change by the DSP at any time. For instance, there is a large disparity in the cost of system impact studies between wire companies.

Transmission interconnected resources need to only pay for their transmission driveway. The cost of the transmission highway needed to interconnect transmission resources is socialized. On the other hand, DERs are required to pay for their driveway, the feeder road, and the highway. Further, Energy Storage Resources with Wholesale Storage Load (WSL) are not charged T-Cost but distributed batteries including Distributed Energy Storage Resources with WSL are charged for their use of the distribution system by the DSP for their charging loads. This charge includes a portion of the DSP's transmission costs.

Question 8: What, if any, action should the Commission take to address these disparities in a uniform fashion?

The PUC should define a standardized interconnection procedure, timeline, and allowance to improve predictability for developers. This uniformity would significantly lower barriers for DER integration and promote a more competitive landscape based on the needs of the grid and not the comparative process and costs of a specific region.

II. CONCLUSION

Shell Energy appreciates the opportunity to this critical dialog on DER interconnection and fully supports the Commission's efforts in enhancing the process to speed up achieving the level of grid reliability that Texans expect and deserve. Standardizing the interconnection process for DERs in parity with the existing processes for transmission connected resources is essential as DERs also provide support to the overall system like transmission connected resources. A \$1.5 million interconnection allowance scaled to the size of the interconnecting resource would be a reasonable and effective approach in mitigating the disparity.

Respectfully submitted,

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SHELL ENERGY'S EXECUTIVE SUMMARY

- **Support for a Standardized Interconnection Allowance:** Shell Energy advocates for a standardized distribution connected resource interconnection allowance to remove barriers for DERs, enhancing transparency, and project planning predictability.
- **Recommended Allowance Amount:** An interconnection cost allowance of \$1.5 million for DERs, adjustable based on resource size to maximize benefits without disproportionately increasing cost is appropriate.
- **Reallocation:** Socializing the interconnection costs similar to transmission connections reflects the system-wide benefits DERs provide and ensures fairness for all developers.
- **Applicability Across Utilities:** Shell Energy supports extending the interconnection allowance to DERs in areas served by municipally owned utilities and electric cooperatives to ensure consistency and prevent location bias.
- **Call for Action:** Shell Energy urges the Commission to implement standardized interconnection procedures and timelines to facilitate DER development and promote market competitiveness.