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PUC PROJECT NO. 54224

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

**TNMP RESPONSE TO COMMISSION STAFF'S QUESTIONS CONCERNING
STANDARDIZED DISTRIBUTION INTERCONNECTION ALLOWANCE**

TEXAS-NEW MEXICO POWER COMPANY ("TNMP") submits the following Response to Staff's Questions Concerning Standardized Distribution Interconnection Allowance for Comment. As instructed, a separate Executive Summary is attached as Exhibit "A". TNMP appreciates the opportunity to provide its responses in this project. These responses are timely filed on September 30, 2024.

I. SPECIFIC RESPONSES

TNMP respectfully provides the following responses to the questions proposed by Commission Staff pertaining to a standardized distribution interconnection allowance:

Question 1: Can the Commission implement the proposed standard distribution resource interconnection allowance without explicit statutory language authorizing such and allowance?

RESPONSE: TNMP believes that the Commission does not need additional statutory authority to implement a standard distribution resource interconnection allowance for transmission and distribution utilities ("TDUs") in ERCOT.

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?

RESPONSE: A single \$1.5 million allowance may be oversized given the range of distribution electric resources ("DERs") and distribution electric storage resources ("DESRs") in

each utility service territory. For TNMP, most DER interconnections are smaller interconnections that do not participate in ancillary services such as rooftop solar installations on residential properties and small businesses. The cost and considerations for such interconnections do not seem to justify such a large allowance as may be appropriate for larger, commercial solar farms or battery storage situations. Additionally, applying an interconnection allowance does shift cost responsibility from the historic application of cost causation previously applied by the Commission.¹ However, for any distribution interconnection allowance to be viable, the costs incurred by a TDU should be authorized for collection through an appropriate interim rate proceeding.

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?

RESPONSE: TNMP believes that the amount of any allowance should be associated with the size of the project. The Commission should consider different levels of allowance based upon size of a project and whether that customer intends to participate in ancillary services. As mentioned above, rooftop solar DER interconnections present lower costs and complexity compared to commercial DER and DESR interconnections. At a minimum, rooftop solar installations on residential properties and small businesses should be separately considered to the extent a distribution interconnection allowance is appropriate for such smaller DER interconnections.

¹ See, Project No. 54224, *Cost Recovery for Service to Distribution Energy Resources*, Joint TDUs Responses to Commission Staff's Questions for Comment, Item No. 5, pgs. 2-3, (Nov. 17, 2022)

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

RESPONSE: To the extent the Commission determines that DER and DESR entities provide a measure of reliability or resiliency to the ERCOT grid, then such interconnection costs should be recovered through TCOS proceedings. The Commission would need to specifically include that determination in any rule implementing a distribution allowance. Otherwise, the DER/DESR interconnection cost should be authorized for recovery through a TDUs DCRF proceedings.

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

RESPONSE: At this time, TNMP takes no position on the application to municipally owned utilities and electric cooperatives of a standard interconnection allowance.

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?

RESPONSE: At this time, TNMP takes no position on the application to municipally owned utilities and electric cooperatives of a standard interconnection allowance.

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

RESPONSE: TNMP is not aware of any material discrepancies between DER and DESR entities that need to be addressed by the Commission. There are charges that a DESR currently receives that such entities may wish to avoid. For instance, it is appropriate for a DESR to pay some level of distribution charges. DESR has electrons delivered to it just like any other customer. While DESR is not charged for the use of the utility' s distribution system when it discharges, it should be charged for its use of the distribution system to replenish or maintain its storage. By charging DESR for delivered electricity, the TDU is treating the DESR just like any other customer. Since DESRs present as a load while charging, they should pay for the use of the distribution system just like any other load customer.

Consequently, a DESRs is responsible for wholesale transmission service at distribution voltage rates or tariff provisions. It would be unequitable for a DESR to use distribution facilities at no cost, while all other customers have to pay the utility's tariffed rate for using the exact same facilities. While Tex. Util. Code § 35.004(d) governs what transmission service providers charge distribution service providers, the charges that a DESR pays under the utility's wholesale tariff are different. Tex. Util. Code § 35.004 does not address wholesale transmission service at distribution voltage. An exemption for DESRs for wholesale transmission service at distribution voltage, would actually violate Tex. Util. Code § 35.004(a), as service to DESRs would be on different rates and terms that are "not comparable to the rates and terms of the utility' s use of its system."

Consequently, other customers would be paying for the transmission service at distribution voltage provided to DESRs.²

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

RESPONSE: None.

III. CONCLUSION

TNMP appreciates the opportunity to provide responses to the questions proposed by Commission Staff pertaining to a standardized distribution interconnection allowance. The Commission's time and consideration of these responses are greatly appreciated.

Respectfully submitted,

/s/ Scott Seamster

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² See id. § 35.004(c) ("When an electric utility, electric cooperative, or transmission and distribution utility provides wholesale transmission service within ERCOT at the request of a third party, the commission shall ensure that the utility recovers the utility's reasonable costs in providing wholesale transmission services necessary for the transaction from the entity for which the transmission is provided **so that the utility's other customers do not bear the costs of the service ."**) (*emphasis added*).

Exhibit “A”

Executive Summary

TNMP Responses to Questions on Standardized Distribution Interconnection

TNMP provides the following summary of its responses to Commission Staff’s questions, and respectfully requests that the Commission consider the following:

Question No. 1- No additional statutory authority believed necessary to implement a standard distribution resource interconnection allowance for TDUs in ERCOT.

Question No. 2 – A single \$1.5 million allowance over-sized for most DER interconnections like smaller rooftop solar installations for residences and small businesses. To be viable, any interconnection costs incurred by the TDU should be up-lifted through an appropriate interim rate proceeding.

Question No. 3 – Amount of allowance should vary based on size of the project. Certainly, small DER interconnections like rooftop solar installations for residences and small businesses should be separately considered to determine what if any allowance would be appropriate.

Question No. 4 – If the Commission determines that DERs/DERs benefit the ERCOT grid, the Commission should authorize by rule the collection of such interconnection costs through a TCOS proceeding. Otherwise, such interconnection costs should be recovered through a DCRF proceeding.

Question No. 5 – TNMP takes no position regarding municipally owned utilities and electric cooperatives.

Question No. 6 – TNMP takes no position regarding municipally owned utilities and electric cooperatives.

Question No. 7 – TNMP sees no material discrepancies between DERs and DESRs that needs to be addressed. DESR entities should be charged distribution and wholesale transmission at distribution rates for their use of the distribution system to charge and maintain their respective storage facilities.

Question No. 8 – N.A.