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PROJECT NO. 54224

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

COMMENTS OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

CenterPoint Energy Houston Electric, LLC (“**CenterPoint Energy**”) is a transmission and distribution utility (“**TDU**”) in ERCOT and submits these comments in response to the Commission Staff’s September 9, 2024, Questions for Comment concerning costs for TDU interconnections of distributed energy resources (“**DERs**”). For purposes of these comments, CenterPoint Energy defines DER as a generation or energy storage resource (respectively, a “**DGR**” or “**DESR**”) that is (1) interconnected with a TDU’s distribution system, (2) greater than one megawatt (“**MW**”), and (3) registered with ERCOT to participate in the wholesale market.

QUESTION 1. CAN THE COMMISSION IMPLEMENT THE PROPOSED STANDARD DISTRIBUTION RESOURCE INTERCONNECTION ALLOWANCE WITHOUT EXPLICIT STATUTORY LANGUAGE AUTHORIZING SUCH AN ALLOWANCE?

Yes, the Commission has the implicit statutory authority to implement a standard DER interconnection allowance without explicit statutory language authorizing such an allowance. PURA § 14.001 grants the Commission with “the general power to regulate and supervise the business of each public utility within its jurisdiction and to do anything specifically designated or implied by this title that is necessary and convenient to the exercise of that power and jurisdiction.” Also, PURA § 35.006 authorizes the Commission to “adopt rules relating to wholesale transmission service, rates, and access.” The implementation of an interconnection allowance for DERs does indeed relate to wholesale transmission service, rates, and access. The fact that the Texas Legislature adopted statutory language specifically providing such an allowance for transmission-connected resources does not change this conclusion. The 2023 amendment to PURA § 35.004 was not a grant of authority for the commission to implement a standard interconnection allowance for transmission-connected resources, but rather was a

mandate to do so. The Commission already had the power to implement such an allowance under its general authority.

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?

Implementing a standard interconnection allowance for DERs might lead to increased private investment in DER technologies and deployments. This investment should enable greater protections for some distribution system retail customers during outages, but more significantly, a widespread DER deployment should also strengthen the resiliency and reliability of the entire ERCOT System by reducing constraints and demand on it, and thereby reducing the likelihood of constraint curtailments and load shed outages. Another advantage of implementing an allowance for DER interconnections is that an allowance already exists for transmission resource interconnections under 16 TAC § 25.195. An interconnection allowance for distribution resources, therefore, simply places them on a level playing field with transmission resources and does not inadvertently disincentivize private investment in the former. CenterPoint Energy believes that a standard DER interconnection allowance is a viable option to move forward, because it is the same approach already implemented by 16 TAC § 25.195 for transmission-level resource interconnections. The amount of the allowance for transmission-level and distribution-level resource interconnections should reflect their interconnection cost differences, but otherwise the same allowance approach should be applied to both.

However, one potential drawback that could result from increased DER deployments is the likely significant investments that TDUs will have to make to upgrade their distribution systems to accommodate those deployments. For transmission-level interconnections, the transmission service provider (“TSP”), rather than the generator, “is responsible for the costs of installing any transmission system upgrades deemed necessary by the TSP.” 16 TAC § 25.195(f)(3). The TSP recovers those costs through the 16 TAC § 25.192 cost recovery mechanism. A distribution service provider (“DSP”) should

likewise be responsible for the distribution system upgrades deemed necessary by the DSP and able to recover those costs through the same mechanism.

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?

CenterPoint Energy believes the \$1.5 million allowance amount suggested by Commissioner Glotfelty in his August 28, 2024, memorandum is a reasonable allowance amount to cover a TDU's standard DER interconnections, which may include the costs for the installation of an express underground feeder to the DER. CenterPoint Energy's historical DER interconnection costs range is estimated to be from \$1.2 to \$1.5 million, depending on various factors such as location and surrounding population and building density. In CenterPoint Energy's experience, resource size has not been a material cost factor for DER interconnections, and a \$1.5 million interconnection allowance appears to be reasonable for all standard DER interconnections. However, CenterPoint Energy's experience has been with DERs with a capacity rating under 10 MW. The interconnection costs for DERs over 10 MW in size may exceed that estimated range.

QUESTION 4. HOW SHOULD THE INTERCONNECTION COSTS COVERED BY SUCH AN ALLOWANCE BE REALLOCATED? WHAT EFFECTS WOULD THIS HAVE ON OTHER CUSTOMERS?

The resiliency and reliability benefits produced by DER interconnections primarily flow to the ERCOT system, as explained above in response to Question No. 2. If an interconnection allowance is adopted for DER interconnections, then the costs incurred by a TDU for making DER interconnections that are covered by the allowance, and the costs for any attendant and necessary distribution system upgrades, should be allocated to and recovered from users of ERCOT System through the TDU's transmission cost of service ("TCOS").¹ This is a fair and efficient method for recovering both the DER

¹ To allow for TCOS recovery, the list of eligible FERC accounts in 16 TAC § 25.192(c) will have to be amended to include the accounts associated with generation interconnections and functionalized to the distribution function.

interconnection costs covered by the allowance and the distribution system upgrade costs necessarily incurred to operate the interconnections.

QUESTION 5. SHOULD A STANDARD DISTRIBUTION RESOURCE INTERCONNECTION ALLOWANCE ALSO APPLY IN AREAS SERVED BY MUNICIPALLY OWNED UTILITIES AND ELECTRIC COOPERATIVES?

Any interconnection allowance adopted by the Commission for DER interconnection costs should not be available for interconnections where the DER owner and the distribution system owner are the same entity or affiliates of each other. ERCOT Planning Guide Section 5.2.8.3 allows a Municipally Owned Utility or Electric Cooperative to interconnect its generation to its own system without an interconnection agreement, but the public interest rationale for applying an interconnection allowance to such interconnections seems to be missing.

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?

CenterPoint Energy takes no position on this question.

QUESTION 7. WHAT DISPARITIES EXIST BETWEEN DISTRIBUTED GENERATION AND ENERGY STORAGE RESOURCES INTERCONNECTING AT TRANSMISSION AND DISTRIBUTION VOLTAGES?

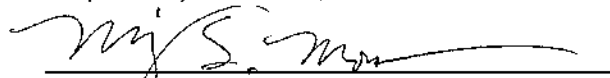
The most glaring existing disparity between distribution-level resource interconnections and transmission-level resource interconnections is the cost responsibility for them. Currently, CenterPoint Energy requires a distribution resource to pay 100% of the interconnection costs as a contribution in aid of construction ("CIAC"); while 16 TAC § 25.195 places 100% of a transmission-level resource interconnection costs on the TSP, if the execution date of the interconnection agreement between them is on or before December 31, 2025. For transmission-level interconnection agreements executed after that date, the transmission resource is only responsible for the TSP's interconnection costs that exceed the applicable interconnection allowance provided by that rule. CenterPoint Energy believes that this same interconnection cost responsibility framework should apply to distribution-level resource

interconnections, too. CenterPoint Energy does not have the authority to apply an interconnection allowance for DER interconnections on its own, or to recover such interconnection costs through any existing ratemaking mechanism without significant risk of disallowance in a ratemaking proceeding.

QUESTION 8. WHAT, IF ANY, ACTION SHOULD THE COMMISSION TAKE TO ADDRESS THESE DISPARITIES IN A UNIFORM FASHION?

The Commission should propose a rulemaking project to either amend 16 TAC § 25.195 to also apply to distribution-level DER interconnections or adopt a separate interconnection allowance rule for such interconnections. After all, DERs that interconnect to a distribution system to participate in the ERCOT wholesale market are transmission service customers as defined in 16 TAC § 25.5, and the obligation to provide open access, comparable and non-discriminatory transmission service² is owed by both TSPs and DSPs (“**TDSPs**”) just as much to DERs that interconnect to a distribution system as it is to transmission resources that interconnect to the transmission system. Transmission service at distribution voltage is still transmission service, as recognized throughout the Commission’s rules, and transmission service is explicitly defined to include the “construction or enlargement of facilities” and “transmission over distribution facilities.” 16 TAC § 25.5. Moreover, 16 TAC § 191(d)(2)(A) requires TDSPs to provide non-discriminatory open access to its distribution and transmission facilities for the provision of transmission service. It seems incongruent with these requirements to have an interconnection allowance available only for transmission service customers that seek transmission-level interconnections but not for transmission service customers that seek distribution-level interconnections.

Respectfully submitted,



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² See 16 TAC §§ 25.191(d)(2)-(3) and 25.192(a).

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Project No. 54224 Executive Summary of CenterPoint Energy Comments

- The Commission has statutory authority to implement a standard DER interconnection allowance under PURA §§ 14.001 and 35.006.
- The advantages of a standard DER interconnection allowance include probable increased private investment in DER technologies and deployments, which will lead to greater protections for distribution system customers but, more significantly, to increased resiliency and reliability of the entire ERCOT System by reducing transmission system constraints and demand and reducing the need for costly public utility transmission system investments. Also, a DER interconnection allowance places distribution and transmission resources on a level playing field and reduces the chances of disincentivizing DER interconnections. DER allowances are a viable option to move forward.
- CenterPoint Energy believes the \$1.5 million allowance amount suggested by Commissioner Glotfelty in his August 28, 2024, memorandum is a reasonable allowance amount to cover a TDU's standard DER interconnections.
- If an interconnection allowance is adopted, then the costs incurred by a TDU for making DER interconnections that are covered by the allowance, and the costs for necessary distribution system upgrades, should be allocated to and recovered from users of ERCOT System through the TDU's transmission cost of service ("TCOS").
- Any interconnection allowance adopted by the Commission for DER interconnection costs should not be available for interconnections where the DER owner and the distribution system owner are the same entity or affiliates of the other.
- The most glaring disparity between distribution-level resource interconnections and transmission-level resource interconnections is the cost responsibility for them, where the responsibility for the former is on the resource, and the responsibility for the latter is on the utility. Establishing a DER interconnection allowance is the best method for removing this disparity. Both distribution resources connected to a DSP's distribution system and transmission resources connected to a TSP's transmission system are transmission service customers and should be treated similarly for purposes of interconnection.