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PUC PROJECT NO. 54224

COST RECOVERY FOR SERVICE TO DISTRIBUTED ENERGY RESOURCES (DERs)	**§ § §**	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

LCRA TRANSMISSION SERVICES CORPORATION'S
RESPONSE TO QUESTIONS FOR COMMENT

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

LCRA Transmission Services Corporation (LCRA TSC) respectfully submits these comments and executive summary in response to Commission Staff's questions on a potential interconnection allowance for Distributed Energy Resources (DERs).

I. INTRODUCTION AND BACKGROUND

LCRA TSC's electric system is composed of transmission, transformation, and metering facilities. The transmission facilities include more than 4,500 circuit miles of high-voltage transmission lines, high-voltage load-serving and switching stations, and associated switching, protective, and monitoring equipment. The transformation facilities consist of load-serving station power transformers, mobile transformers, low voltage busses, totalizing circuit breakers, and associated switching, protective, and monitoring equipment operated below 60-kV. LCRA TSC's metering facilities are used to measure electric load for billing purposes and are not connected to transmission-voltage facilities or included in LCRA TSC's transmission cost of service (TCOS).

The delineation of facilities between LCRA TSC's wholesale functions is governed by Commission rules and LCRA TSC's Commission-approved tariffs for each of these services. LCRA TSC's wholesale transmission tariff is applicable to all distribution service providers (DSPs) in ERCOT. By contrast, its wholesale transformation tariff is applicable only to the 42 DSPs who take service under it—mainly electric cooperatives and municipally owned utilities (although one investor-owned utility currently takes service under LCRA TSC's wholesale transformation tariff).

LCRA TSC currently has 14 DER projects in various stages of the interconnection process for which it will provide transmission and, in most cases, transformation services. Additional equipment or facility upgrades may be necessary to facilitate these DER interconnections; these

may include an additional feeder dedicated solely to the DER interconnection, upgraded power transformers, additional circuit breakers, and protective equipment.

II. GENERAL COMMENTS

LCRA TSC is interested in better understanding the concept of an interconnection allowance for DERs, which could represent a significant departure from how DER interconnections have been addressed in ERCOT historically. As a transmission-only utility, LCRA TSC's role in interconnecting DERs is generally focused on performing facilities studies to determine whether and what additional equipment or upgrades are needed to provide safe and reliable service to the DSP to whose system the DER interconnects. Should additional transmission (high-side) facilities be required to safely and reliably interconnect the DER, LCRA TSC would implement those improvements, and any capital investments would be addressed through standard TCOS billing processes administered at the direction of the Commission. As a result, if the Commission were to implement a DER interconnection allowance of up to $1.5 million per DER installation, that would result in TCOS ratepayers funding up to $1.5 million in LCRA TSC's transmission investment per interconnection to support the DER. Today, there is no cap on the transmission investment that a transmission service provider (TSP) like LCRA TSC could seek to include in TCOS.

If investment is needed to support LCRA TSC's transformation system, those improvements would be addressed today under LCRA TSC's Commission-approved wholesale transformation tariff, which is applied to a different (smaller) population of DSPs than those who pay TCOS. In keeping with the principle of cost-causation, LCRA TSC's portion of the interconnection facilities necessary to interconnect DERs is funded pursuant to its Commission-approved wholesale transformation tariff, which is assessed only to the DSPs taking wholesale transformation service. Therefore, any LCRA TSC customers who are included in the wholesale transformation tariff but do not have a DER interconnected to their distribution system still contribute their share of any additional interconnection-related costs.

If the intent of the DER interconnection allowance is to make those transformation-related costs TCOS-eligible, so that the policy for interconnecting DERs more fully aligns with the policy for interconnecting transmission-level generation resources, there could be value to such a proposal. If, however, the intent is not to socialize those costs in a similar fashion to TCOS, but instead to exempt DERs from being passed along any transformation- or distribution-related

interconnection costs (up to the cap), this would effectively require the DSP's other distribution ratepayers to pay the bulk of the DER's share. Such a result would be very impactful to the DSP's other distribution ratepayers, particularly residential and small commercial customers.

III. RESPONSE TO QUESTIONS

Question 1:

Can the Commission implement the proposed standard distribution resource interconnection allowance without explicit statutory language authorizing such an allowance?

Response:

The interconnection allowance for transmission-connected generation resources came as the result of legislation changing the default rule that transmission-level interconnection facilities owned and operated by TSPs are eligible to be recovered in TCOS in their entirety. By directing the Commission to impose a cap on the total dollars that can be included in TCOS, the Legislature made a clear and unequivocal policy choice that not all transmission-level investment should be socialized across TCOS ratepayers and, instead, should be borne by the interconnecting generation resource.

On the contrary, interconnection facilities for DERs are *not* socialized across TCOS ratepayers, but instead have been funded historically by a combination of contribution in aid of construction (CIAC) and sharing the interconnection costs across the distribution rate base of the interconnecting DSP—which, as compared to TCOS, represents a far smaller subset of ratepayers.

Because the default rule of "who pays" is different for DERs than for transmission-connected resources, LCRA TSC believes it would be valuable for the Legislature to provide guidance before modifying this policy for all DSPs 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:

In cases where the interconnecting TSP is not also the interconnecting DSP, there are potential challenges that would need to be addressed before a standard DER interconnection allowance can be effectively implemented. As described above, not all interconnection-related

investment is TCOS-recoverable under the Commission's current rules. If the intent of the allowance rule is to socialize all DER-interconnection costs (up to the cap) across all ERCOT ratepayers, then the Commission would need to identify an appropriate mechanism for uplifting those costs, particularly for DSPs that do not have a TCOS.

IV. CONCLUSION

LCRA appreciates the Commission's consideration of these comments and looks forward to engaging with Commission Staff and other stakeholders on this issue.

Respectfully submitted,

Emily R. Jolly
State Bar No. 24057022
Deputy General Counsel, Regulatory Affairs
Lower Colorado River Authority
P.O. Box 220
Austin, Texas 78767-0220
Telephone No.: (512) 578-4011
Facsimile No.: (512) 473-4010

Emily R. Jolly

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EXECUTIVE SUMMARY TO LCRA'S RESPONSE TO QUESTIONS

- LCRA TSC is interested in better understanding the concept of an interconnection allowance for DERs, which could represent a significant departure from how DER interconnections have been addressed in ERCOT historically.
- As a transmission-only utility, LCRA TSC's role in interconnecting DERs is generally focused on performing facilities studies to determine whether and what additional transmission and/or transformation equipment or upgrades are needed to provide safe and reliable service to the DSP to whose system the DER interconnects.
- LCRA TSC currently has 14 DER projects in various stages of the interconnection process for which it will provide transmission and, in most cases, transformation services. Additional equipment or facility upgrades may be necessary to facilitate these DER interconnections; these may include an additional feeder dedicated solely to the DER interconnection, upgraded power transformers, additional circuit breakers, and protective equipment.
- If the intent of the DER interconnection allowance is to make transformation- and distributed-related interconnection costs TCOS-eligible, so that the policy for interconnecting DERs more fully aligns with the policy for interconnecting transmission-level generation resources, LCRA TSC acknowledges there could be value to such a proposal.
- If, however, the intent is not to socialize those costs in a similar fashion to TCOS, but instead to exempt DERs from being passed along any transformation- or distribution-related interconnection costs (up to the cap), this would effectively require the DSP's other distribution ratepayers to pay the bulk of the DER's share. Such a result would be very impactful to the DSP's other distribution ratepayers, particularly residential and small commercial customers.