



## **Filing Receipt**

**Filing Date - 2024-09-30 02:56:36 PM**

**Control Number - 54224**

**Item Number - 50**

**PROJECT NO. 54224****COST RECOVERY FOR SERVICE TO  
DISTRIBUTED ENERGY RESOURCES****§  
§  
§****PUBLIC UTILITY COMMISSION  
OF TEXAS****COMMENTS OF TEXAS ADVANCED ENERGY BUSINESS ALLIANCE**

Texas Advanced Energy Business Alliance (TAEBA) submits these comments in response to the questions posed by Commission Staff on September 9, 2024 relating to Cost Recovery for Service to Distributed Energy Resources (DERs). Considering the important role of distributed energy resources in bolstering resiliency and reliability in Texas, TAEBA appreciates the opportunity to offer feedback on this significant rulemaking.

TAEBA includes local and national advanced energy companies. Advanced energy technologies include energy efficiency (EE), energy storage, distributed generation, microgrids, demand response (DR), electric vehicles (EV), and generation based on solar, wind, hydro, and nuclear resources. The businesses TAEBA represents are lowering consumer costs, creating thousands of new jobs, and providing the full range of clean, efficient, and reliable energy.

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

Yes. The PUCT has broad regulatory authority under PURA to implement an interconnection allowance for distribution-connected resources. This authority includes overseeing services provided through distribution facilities, as defined by PURA §31.002(20). While PURA §35.004(d-1) explicitly mandates an interconnection allowance for transmission-connected resources, this does not preclude the PUCT from adopting a similar allowance for distribution-connected DERs. In fact, the absence of restrictive language regarding distribution-connected resources provides the Commission with the flexibility to establish a standard interconnection allowance under its existing regulatory framework.

**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?**

The key advantages of the proposed standard interconnection allowance include promoting DER adoption by reducing upfront interconnection costs, which encourages broader adoption of DERs, a critical component for enhancing grid reliability and resilience. DERs provide essential services, such as reducing peak demand, enhancing grid flexibility, and offering localized reliability improvements. These benefits are comparable to those provided by transmission-connected resources and justify the inclusion of interconnection costs in the rate base. Moreover, a standardized interconnection allowance would create predictability for developers across utility service areas, which is essential for fostering investment in distributed energy resources.

**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?**

TAEBA supports the proposed \$1.5 million interconnection allowance, consistent with Commissioner Giotfelty's recommendation. This amount strikes a balance between incentivizing DER projects and managing costs. However, we recognize that in certain utility districts, CIAC (Contribution in Aid of Construction) payments can far exceed this amount. For example, some projects in areas served by CenterPoint Energy have seen CIAC costs rise as high as \$3 million. To address this, TAEBA recommends that the PUCT require utilities to provide transparent and detailed cost breakdowns when a CIAC payment exceeds the standard allowance. Greater transparency would help developers understand the rationale behind the costs and ensure that they are reasonable and necessary. This would also align with the broader goals of promoting DER integration and regulatory fairness.

For smaller-scale DERs installed at residential or small commercial sites, we propose implementing a simple, uniform administrative fee to cover the cost of interconnection. Any upgrades to the distribution network needed to integrate these systems should be part of the utility's regular business activities and funded through rate-based mechanisms, rather than

being passed directly to customers for upgrades beyond their property lines. As Project No. 54233 continues, we look forward to providing additional suggestions on simplifying the interconnection process for these smaller systems.

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

The interconnection costs should be reallocated through a modest adjustment in distribution service rates, similar to the approach used for transmission-connected resources. DERs provide system-wide benefits that justify spreading the cost across all ratepayers. These costs could be recovered through the Transmission Cost of Service (TCOS), aligning with existing practices for other generation resources. This approach ensures that all ERCOT customers share the benefits and costs of a more resilient grid. To avoid disproportionate impacts on lower-income ratepayers, TAEBA recommends a sliding scale for rate adjustments or targeted exemptions. Additionally, it is crucial that, when a CIAC payment exceeds the standard interconnection allowance, utilities provide detailed, transparent reporting on the breakdown of those costs. This transparency will ensure accountability, reduce potential cost inflation, and help build trust with developers and stakeholders.

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

Yes. A standard distribution resource interconnection allowance should apply across all utility service areas, including those served by municipally owned utilities and electric cooperatives. DERs provide system-wide benefits regardless of where they are located, and uniform rules will encourage broader deployment. PURA grants the PUCT the authority to require wholesale transmission access and set interconnection standards for these entities. Therefore, the Commission should extend the interconnection allowance to all areas to ensure fairness and promote consistent DER adoption.

**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?**

No new wholesale cost recovery mechanism is needed. The existing TCOS framework is sufficient to recover the costs associated with the interconnection allowance. This approach has already been successfully applied to transmission-connected resources, and extending it to distribution-connected DERs would ensure consistency and fairness across the system.

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

The primary disparity lies in the cost treatment of transmission-connected versus distribution-connected resources. Transmission-connected resources receive an interconnection allowance, while distribution-connected DERs often face significant CIAC charges. Additionally, distribution-connected energy storage resources (DESRs) are sometimes subject to monthly utility tariffs for wholesale transmission service, which their transmission-connected counterparts are not required to pay. This creates a competitive disadvantage for DESRs and discourages their development.

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

The Commission should adopt a standard interconnection allowance of \$1.5 million for DERs, similar to the allowance provided for transmission-connected resources. In addition, distribution-connected energy storage resources should not be subject to monthly wholesale transmission service tariffs. Instead, they should be treated comparably to transmission-connected resources. The Commission should also prioritize the integration of DERs into ERCOT's system and develop a comprehensive roadmap to guide future policy decisions. Furthermore, the PUCT should move ahead with rulemaking on Project No. 54233 to create

more market certainty, especially for smaller-sized DERs, which are critical for localized reliability and resilience improvements.

## **Conclusion**

In conclusion, TAEBA strongly supports the implementation of a standard distribution resource interconnection allowance as a critical step toward advancing Distributed Energy Resources across Texas. This allowance aligns with the state's goals of grid modernization, reliability, and energy independence by lowering the financial barriers to DER integration. While we recognize the need for thoughtful implementation, including equitable cost allocation and tailored mechanisms for municipally owned utilities and cooperatives, the resiliency and reliability benefits of such an allowance far outweigh the challenges. We urge the Commission to consider our recommendations to ensure that Texas remains a leader in energy innovation, fostering a more resilient and reliable energy future for all Texans.

We thank the Commission for its leadership on this critical issue.

Respectfully submitted,

/s/ Matthew Boms

Executive Director  
Texas Advanced Energy Business Alliance  
mboms@texasadvancedenergy.org  
(202) 380-1950 Ext: 3055  
P.O. Box 301151, Austin, TX 78703

**PROJECT NO. 54224**

<b>COST RECOVERY FOR SERVICE TO DISTRIBUTED ENERGY RESOURCES</b>	<b>§ § §</b>	<b>PUBLIC UTILITY COMMISSION OF TEXAS</b>
--	----------------------	---

**COMMENTS OF TEXAS ADVANCED ENERGY BUSINESS ALLIANCE  
EXECUTIVE SUMMARY**

The Texas Advanced Energy Business Alliance (TAEBA) offers the following key recommendations in response to Commission Staff's questions on September 9, 2024, regarding Cost Recovery for Service to Distributed Energy Resources (DERs):

- **Implementation Authority:** The Commission has sufficient authority under its regulatory powers to implement the proposed interconnection allowance for distribution-connected resources.
- **Allowance Benefits:** The interconnection allowance reduces upfront costs, promotes DER adoption, and supports Texas's goals for grid modernization and resilience. DERs provide essential services like reducing peak demand and enhancing grid reliability, justifying the inclusion of interconnection costs in the rate base.
- **Allowance Amount:** A \$1.5 million allowance is appropriate. TAEBA recommends a scalable structure based on DER size and impact. For CIAC payments exceeding the allowance, utilities should provide transparent, detailed cost breakdowns to ensure accountability and prevent cost inflation.
- **Cost Reallocation:** Costs should be modestly reallocated across distribution customers through rate adjustments. Transparent reporting and provisions for vulnerable ratepayers are necessary, as DERs provide system-wide benefits.
- **Applicability to Municipal Utilities and Co-ops:** The allowance should apply uniformly to municipally owned utilities and co-ops, ensuring consistent DER integration statewide.
- **Wholesale Cost Recovery:** No new mechanism is needed; the existing Transmission Cost of Service (TCOS) framework is sufficient for cost recovery across ERCOT customers.
- **Disparities in Cost Treatment:** Distribution-connected DERs often face high CIAC charges and, in some cases, monthly utility tariffs. These disparities should be addressed to ensure equitable treatment and encourage DER adoption.
- **Addressing Disparities:** The Commission should harmonize cost structures across distribution-connected resources and restructure monthly tariff charges for distribution-connected energy storage resources to ensure fair competition.

TAEBA supports the implementation of a standard interconnection allowance as essential for advancing DERs and aligning with Texas's energy goals. We appreciate the Commission's leadership on this important issue.