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**PROJECT NO. 54224**

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

**JOINT COMMENTS OF TEXAS SOLAR POWER ASSOCIATION AND SOLAR  
ENERGY INDUSTRIES ASSOCIATION ON STAFF QUESTIONS**

The Texas Solar Power Association (TSPA) and the Solar Energy Industries Association (SEIA) (collectively, the Solar Associations)<sup>1</sup> appreciate the opportunity to file these joint comments in response to Commission Staff's Request for Comment filed on September 9, 2024, in the above-referenced Project. TSPA and SEIA are not affiliates but have combined our comments for this filing to make our participation in this Project more efficient for Commission Staff.

**INTRODUCTION**

TSPA, founded in 2014, is the statewide trade association promoting the growth of solar power generation and energy storage resources in Texas. Our member companies are engaged in the development, installation, and operations of utility-scale, industrial, commercial, and residential solar and storage facilities and products, serving customers with predictable, affordable, clean power in the wholesale and retail electricity markets.

SEIA is the national trade association of the solar energy and storage industry and has member companies engaged in the competitive Texas electricity market, as well as serving residential, commercial, and industrial customers. Through advocacy and

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<sup>1</sup> The comments contained in this filing represent the joint position of the Solar Associations as organizations, but not necessarily the views of any individual member or either organization with respect to any issue.

education, SEIA works with its 1,200 member companies and other strategic partners to create jobs, champion the use of cost-competitive solar in America, remove market barriers, and educate the public on the benefits of solar energy.

The Solar Associations appreciate the opportunity to comment on the Staff's questions. This rulemaking has been open for almost two years, and the same issues that drove the need for this rulemaking two years ago remain unresolved. The Solar Associations are encouraged that there is Commission interest in restarting this rulemaking and its companion rulemaking, Project No. 54233, Technical Requirements and Interconnection Processes for Distributed Energy Resources (DERs).

DERs are faster to market, less expensive, more modular, and have additional local reliability and resilience benefits to offer to distribution grids compared to central station generation interconnected on the transmission grid, while also providing reliability and resource adequacy value to the ERCOT system. Nevertheless, barriers remain to development of DERs that must be resolved with policy direction from the Commission, including direction to ERCOT and stakeholders that integrating DERs should be prioritized.

We urge the Commission and its Staff to move with deliberate speed to adopt rules as soon as possible that encourage and promote additional DERs to interconnect and deliver services to consumers and the ERCOT system. With this in mind, we support the concept of a standard interconnection allowance for distribution-connected resources equal to or greater than 500kW and offer additional recommendations as well.

## RESPONSES TO STAFF QUESTIONS

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

Yes. The Commission has broad authority to promulgate rules pursuant to the Public Utility Regulatory Act (PURA). PURA §14.001 grants the Commission 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. PURA §14.002 authorizes the Commission to adopt and enforce rules reasonably required in the exercise of its powers and jurisdiction. The definition of transmission service in PURA §31.002(20) states that “transmission service” includes “transmission over distribution facilities.” With respect to transmission service, PURA §§35.001-35.006 grant the Commission authority to order utilities, expressly including municipally-owned utilities and cooperatives, to provide wholesale transmission access and establish the terms and conditions for such service. PURA §36.001 grants the Commission authority to set rates for utilities, including adopting rules for determining classification of customers and services and applicability of rates. PURA §36.003 requires the Commission to ensure that the rates charged by utilities are just and reasonable, and not unreasonably preferential, prejudicial, or discriminatory.

To the extent that there is a question of authority regarding whether such an allowance is allowed for distribution-connected resources on the basis that PURA §35.004(d-1) to (d-3) includes explicit language requiring an interconnection allowance for transmission resources, but does not include the same language for distribution-

connected resources, the answer, the Solar Associations believe, remains that the Commission has this authority.

In the case of transmission-connected resources, PURA *mandates* the creation of an allowance: “The commission by rule shall establish a reasonable allowance for transmission-owning utility costs incurred to interconnect generation resources directly with the ERCOT transmission system at transmission voltage....”<sup>2</sup> It is important to recognize that the addition of this provision in 2023 was a limitation on Commission authority that had been exercised for years – namely, providing full recovery (a 100% allowance) for utility interconnection costs – rather than granting the Commission authority it had not previously exercised.

As a result, the fact that the same mandatory and restrictive language is not included with regard to distribution-connected resources should not be interpreted as a prohibition against the Commission adopting a standardized interconnection allowance of less than 100% for distribution-connected resources, i.e., PURA allows, but does not *require*, the Commission to establish a standardized interconnection allowance for distribution-connected resources.

Further, there is no language in PURA that explicitly prohibits an allowance. For these reasons, there are no legal impediments to the approach Commissioner Glotfelty proposed in his August 28, 2024, memo in this rulemaking.<sup>3</sup>

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<sup>2</sup> PURA §35.004(d-1).

<sup>3</sup> [https://interchange.puc.texas.gov/Documents/54224\\_30\\_1423326.PDF](https://interchange.puc.texas.gov/Documents/54224_30_1423326.PDF).

**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 Solar Associations support the concept of a proposed standard interconnection allowance for distribution-connected resources as a viable option to move forward in this rulemaking. Standardizing the interconnection allowance would present all of the benefits that having a standardized interconnection allowance provides for transmission-connected resources, including creating additional market certainty regarding an upper bound for costs that may be included in utility rates. It is appropriate for some portion of the costs for interconnecting distributed generation and energy storage resources to be allocated to all electric consumers since the resources that are interconnecting on the distribution grid are providing system-wide services such as energy and ancillary services just as other generation and energy storage resources interconnected on the transmission grid provide.

It is likely that standardizing the interconnection allowance, combined with streamlining interconnection processes for distribution-connected resources through Project No. 54233, relating to *Technical Requirements and Interconnection Processes for Distributed Energy Resources (DERS)*, will accelerate the addition of generation and energy storage resources to the grid at a time when ERCOT load growth is rapid, and all available transmission-level and distribution-level resources are needed to ensure reliable and affordable service to Texans.

**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?**

The Solar Associations recommend that a reasonable dividing line between large and small resources could be set at 500 kW. For resources equal to or greater than 500 kW, the standardized fee should be developed consistent with Commissioner Glotfelty's August 28<sup>th</sup> memo, in which he suggested an allowance of \$1.5 million that would apply to resources connecting at voltages less than 138 kV.

The Solar Associations agree that Commission Staff also could solicit interconnection data from distribution utilities through a Request for Information, consistent with the process used in developing the standard transmission interconnection allowance, to facilitate development of an allowance based on actual cost data. Absent such data, \$1.5 million would be a reasonable starting point for an allowance. Any additional costs to interconnect to the distribution utility system would be collected from the resource as a Contribution in Aid of Construction (CIAC).

The Solar Associations further support standardizing the amount of the allowance rather than allowing each utility to set its own allowance, as was done in the rulemaking for transmission-level interconnections. Further, we recommend additional transparency consistent with Commissioner Glotfelty's recommendation in his memo: to the extent that the allowance will be exceeded on a particular proposed project, the utility should be required through Commission rule to provide a detailed itemization of the estimated interconnection costs that the developer is expected to pay through a CIAC. Standardization and transparency provide additional regulatory certainty and cost discipline and should promote faster development of resources in ERCOT.

Recognizing that Commissioner Glotfelty's memo is focused on larger resources whose primary purpose is to participate in wholesale markets, the Solar Associations note that a different process will be required for smaller resources such as on-site residential and small commercial DERs. As a general matter, the Solar Associations support utilities charging a uniform, minimal fee to customers to cover the administrative costs to interconnect these systems.

Further, upgrading distribution networks to accommodate additional interconnections of residential and small commercial on-site DERs should be managed through a utility's normal course of business and rate-based rather than individual customers being charged for utility distribution system upgrades needed beyond the customer's premise. The Solar Associations will have additional recommendations regarding streamlining small system interconnection processes when Project No. 54233 resumes.

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

The standard interconnection allowance for resources with a capacity of 500 kW or more should be incorporated into the transmission cost of service (TCOS) for the transmission service provider that serves the relevant distribution service provider, as these resources provide wholesale market services to the ERCOT system like other transmission-connected power generation companies (PGCs). The entire system benefits from the additional reliability and cost savings that these resources provide to the system as a whole, and therefore costs should be shared along with the benefits.



**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 also apply in municipally owned utility and electric cooperative areas since such an allowance would provide the same benefits for the same reasons as discussed above for investor-owned distribution utility service areas. The entire ERCOT system benefits from distribution-connected resources, regardless of whether they are in service areas of municipally owned utilities and cooperatives versus in investor-owned utility service areas.

The Commission has the authority to require this interconnection allowance in areas served by a municipally owned utility or electric cooperative pursuant to PURA §35.004(b), “The commission shall ensure that an electric utility<sup>4</sup> or transmission and distribution utility provides nondiscriminatory access to wholesale transmission service....” Additionally, PURA §40.055 specifically excludes wholesale transmission rates, terms of access, and conditions for wholesale transmission set by the Commission from a municipally-owned utility’s jurisdiction. For these reasons, the Commission has jurisdiction to set a generation interconnection allowance in these service areas.

**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?**

There is no need to develop a new wholesale cost recovery mechanism for recovering allowances related to distribution-connected resources in areas served by

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<sup>4</sup> PURA §35.001 provides, “In this subchapter, “electric utility” includes a municipally owned utility or an electric cooperative.”

municipally owned utilities or electric cooperatives. As with the costs associated with the interconnection of these resources on the distribution grid for other areas in the ERCOT Region, the costs can be recovered through TCOS for the transmission service provider that serves the distribution facilities of the municipally owned utility or electric cooperative.

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

The most fundamental disparity that exists is that PGCs connected at transmission voltage have been a higher priority for the Commission since Winter Storm Uri, with DERs largely being put on the back burner. The Solar Associations recommend that the Commission explicitly state as a policy priority that DERs should be treated equally as other resources. The Solar Associations are not aware of any comprehensive policy roadmap or policy “blueprint” associated with incorporating DERs in Commission rules and ERCOT Protocols, but development of such a guiding document by the Commission could demonstrate its commitment to DER integration while providing policy guidance to ERCOT, utilities, and market stakeholders.

A form of Question No. 7 has been addressed by previous commenters in this project in responses to a prior set of questions from Commission Staff issued October 24, 2022. For example, see Joint Commenters’ responses to Commission Staff’s questions filed November 17, 2022.<sup>5</sup> Distributed energy storage resources (DESRs) are PGCs that provide the same services to the ERCOT grid as other registered resources. DESRs should not be required to pay monthly utility charges for wholesale transmission service provided at distribution voltage, as other PGCs interconnected on the transmission grid

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<sup>5</sup> Joint Responses to Commission Staff Questions of Hunt Energy Network, Jupiter Power and Broad Reach Power (Joint Storage Commenters) (Nov. 17, 2022).

are not subject to charges for comparable wholesale transmission service. DESRs, and more broadly, DERs also provide resilience benefits to the distribution system in addition to the wholesale market services they provide. These resources should not be penalized with charges that other PGCs do not incur, especially when the result of those charges is to discourage the development of these resources on the distribution grid.

We note further that while larger DESRs are PGCs providing ERCOT services, not all DERs are even allowed to participate in all ERCOT markets. The Aggregated DER Pilot Project is a substantial step in the right direction to remove barriers to participation for smaller DERs, but additional work is needed to resolve the disparities that continue to exist with respect to the entire suite of DERs that have the potential to provide services to ERCOT and local distribution utility systems.

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

The Solar Associations recommend the following:

- Set as a policy priority the integration of DERs into the ERCOT system, from larger DESRs all the way down to small, residential customer-sited systems. The Commission may want to consider adopting a comprehensive policy roadmap/"blueprint" for DERs, which could identify additional future projects beyond those already underway.
- Pursue the interconnection allocation allowance concept contemplated in Commissioner Glotfelty's memo and in these questions and eliminate monthly tariffed charges for wholesale service provided to energy storage resources, with a final rule adopted no later than Q1 2025.
- Complete the DER Interconnection and technical requirements rulemaking (Project No. 54233), with adoption of final rules no later than Q2 2025.

- Continue to remove participation barriers for DERs through the ADER Pilot Project and associated Task Force, working toward full participation of DERs in all energy and ancillary services markets by 2026.

### III. CONCLUSION

TSPA and SEIA appreciate the opportunity to provide these Comments and look forward to working with the Commission and other interested parties on these issues.

Respectfully submitted,



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**PROJECT NO. 54224**

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

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**EXECUTIVE SUMMARY**

- Q1: Yes, PURA allows, but does not *require*, the Commission to establish a standardized interconnection allowance for distribution-connected resources. See §14.001, §14.002, §31.002(20), §§35.001-35.006, §36.001, §36.003.
- Q2: Standardizing the interconnection allowance would present all of the benefits that having a standardized interconnection allowance provides for transmission-connected resources. Regulatory certainty would speed development of resources.
- Q3: For resources equal to or greater than 500kW, \$1.5 million is a reasonable starting point; Commission staff could gather additional data to refine the number as they did in the transmission allocation project. If the cost will exceed the allowance, utilities should be required to provide a detailed itemization of the estimated interconnection costs that the developer is expected to pay through a CIAC.
- Q4: The interconnection allowance should be included in TCOS.
- Q5: Yes, the standard allowance should also apply in municipally owned utility and electric cooperative areas, and the Commission has legal jurisdiction to do so.
- Q6: There is no need to develop a new wholesale cost recovery mechanism.
- Q7: We recommend that the Commission explicitly state as a policy priority that DERs should be treated equally as other resources. Further, DESRs should not be required to pay monthly utility charges for wholesale transmission service provided at distribution voltage, as other PGCs interconnected on the transmission grid are not subject to charges for comparable wholesale transmission service.
- Q8: Recommended Commission Actions:
  - Set as a policy priority the integration of DERs into the ERCOT system, from larger DESRs all the way down to small, residential customer-sited systems. The Commission may want to consider adopting a comprehensive policy roadmap/"blueprint" for DERs, which could identify additional future projects beyond those already underway.

- Pursue the interconnection allocation allowance concept contemplated in Commissioner Grotfelty's memo and eliminate monthly tariffed charges for wholesale service provided to energy storage resources, with a final rule adopted no later than Q1 2025.
- Complete the DER Interconnection and technical requirements rulemaking (Project No. 54233), with adoption of final rules no later than Q2 2025.
- Continue to remove participation barriers for DERs through the ADER Pilot Project and associated task force, working toward full participation of DERs in all energy and ancillary services markets by 2026.