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Public Utility Commission of Texas
1701 N. Congress Avenue
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Chairman Gleeson and Commissioners,

Regis Energy Partners, LP ("Regis") submits the following comments in response to the Public Utility Commission of Texas ("PUCT" or "Commission") Staff's request for comment on the Cost Recovery for Service to Distributed Energy Resources – DERs Interconnection Allowance, dated September 9, 2024.

Regis is an active owner and developer of 10MW distributed energy storage resources (DESRs) across Texas. Regis developed and is a minority owner of 21 DESRs either in operation or construction and is further developing an additional 40+ DESRs in ERCOT.

Our business is built on the deep conviction that the Texas electrical grid is in dire need of flexible, dispatchable generation. Continued regulatory uncertainty and unequitable treatment of DESRs will hinder further deployment of these assets and deprive the Texas electrical grid of the multi-faceted benefits that DESRs deliver.

We fully endorse Commissioner Glotfelty's recommendation to swiftly conclude Project 54224 by establishing clear guidelines for the interconnection of distributed generation and storage, including economic interconnection allowances. Consistent, clear, and equitable guidelines are necessary for continued private sector investment in these critical assets.

Responses to 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 statutory authority to mandate that utilities, including cooperatives and municipally owned utilities, provide wholesale transmission access and set the terms and conditions for such services.

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?**

Advantages of the Proposed Standard Distribution Resource Interconnection Allowance:

1. **Enhances Grid Stability:** Distributed energy resources, such as energy storage, are uniquely positioned to address increasing grid volatility and congestion across Texas by alleviating volatility and congestion at a local level. Providing an interconnection allowance supports the development of these resources, helping to improve overall system reliability and resilience.
2. **Encourages Investment:** A standardized interconnection allowance creates a level playing field between distribution-connected and transmission-connected resources. This equitable treatment encourages private investment in distributed energy storage and generation, which is essential for meeting Texas's growing energy demands and need for grid reliability.
3. **Ensures Fair Treatment:** A standard interconnection allowance promotes non-discriminatory treatment of distribution-connected resources. It aligns support for distribution-level resources with that of transmission-level resources, ensuring that all types of energy assets can be developed effectively to support the state's energy needs.

Creation of a standard distribution resource interconnection allowance is a viable and necessary option. By providing clear and consistent guidelines, the Commission can ensure equitable treatment of all resources and attract continued private sector investment, ultimately enhancing the stability and resilience of the Texas grid.

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?**

Commissioner Glotfelty's suggested amount of $1.5 million interconnection allowance for DESRs is simple, fair and prudent, based on our experience with interconnecting projects of this size. For DESRs that have already signed IAs, this allowance should be applied retroactively in the form of a partial or total refund of interconnection costs previously paid.

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

The Commission could designate these costs as part of the transmission service expenses, which include "transmission over distribution facilities." This means the expenses would be recovered through the Transmission Cost of Service (TCOS). Distribution-connected resources contribute to the ERCOT grid by providing energy and ancillary services, similar to transmission-connected resources. Therefore, spreading these costs across all ERCOT customers is a fair approach.

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

Yes, grid resiliency is a Texas-wide challenge and a standard DESR allowance should apply to all 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? Separate from his primary policy proposal, Commissioner Glotfelty' s memo also noted that a resource receives different treatment based on whether it interconnects at transmission or distribution voltage.**

The existing Transmission Cost of Service (TCOS) framework is sufficient.

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

Several disparities exist between distributed generation energy storage and those connecting to transmission voltages.

- **Process:**
  - T/DSPs and co-ops across ERCOT each assess their responsibility to work with DESR developers differently and implement their own interconnection processes. These processes vary widely, which introduces unnecessary complexity, costs, and uncertainty.
- **Costs:**
  - **Study Process**: The costs of the interconnection study process also vary widely, ranging from $16,000 to over $100,000 with the decision on what studies to be done and how much to charge left to each DSP.
  - **Interconnection Costs**: DESR developers are often required to pay 100% of the interconnection costs upfront in the form of a contribution-in-aid-of-construction ("CIAC") with little to no transparency into what those costs are allocated towards and why they are necessary. Again, these costs vary widely across utilities, ranging from $100,000 to over $3 million.
  - **Wheeling Tariffs**: DESRs are charged tariffs for wholesale power, which also vary widely, ranging $.50 to $5.00+ / kW.
- **Timelines:**
  - **Study Process**: Timelines for DSPs to perform the study process range from 3 months to 18 months
  - **Interconnection:** Design and construction timelines vary between 12 months to 36 months.

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

The Commission should establish a clear process for the interconnection of DESRs applicable to T/DSPs and co-ops, along with standardized costs associated with the interconnection study process.

Further, the Commission should end the inequitable treatment of DESRs in relation to transmission-connected energy storage assets by mandating a standard interconnection allowance and removing wheeling tariffs.

Finally, the Commission should provide clear guidance on expectations for timelines to complete the interconnection study process and to perform the necessary system upgrades to facilitate the interconnection of DESRs.

We appreciate the opportunity to provide these comments.

Respectfully submitted,

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Executive Summary

1. The Commission has broad statutory authority, sufficient to address an interconnection allowance for DESRs.

2. A standard distribution resource interconnection allowance is a viable option and promotes equitable treatment of DESRs in relation to transmission-connected energy storage assets.

3. $1.5 million is an appropriate amount for a standard distribution resource interconnection allowance.

4. The interconnection allowance should be allocated to TCOS.

5. The interconnection allowance should apply equally across T/DSPs, co-ops, and municipalities.

6. The TCOS regulatory framework is sufficient to establish a distribution resource interconnection allowance.

7. As opposed to transmission-connected resources, DESRs are subject to different, capricious, and unequitable timelines and costs.

8. The Commission should 1) establish a clear interconnection process for DESRs, 2) provide for equal treatment of DESRs through an interconnection allowance and removal of wheeling tariffs, and 3) set clear expectations for the timelines to complete the interconnection study process and to perform the necessary system upgrades to facilitate DESR interconnection.