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PROJECT NO. 54224

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

NEW LEAF ENERGY, INC.'S REPLY COMMENTS ON COMMISSION STAFF'S QUESTIONS

New Leaf Energy, Inc. ("New Leaf"), hereby timely submits these reply comments on the questions filed by the staff of the Public Utility Commission of Texas ("Commission" or "PUC") on September 9, 2024, in the above-referenced project.

I. Introduction

As stated in New Leaf's initial comments, New Leaf develops utility-scale and distributed energy and energy storage projects across the country, with a development pipeline of more than 8.5 GW of solar and 7 GW of energy storage projects. Within the Electric Reliability Council of Texas ("ERCOT") system, New Leaf has a robust pipeline of stand-alone distributed energy storage resource ("DESR") assets in various stages of development and in various Texas utility territories.

New Leaf appreciates this opportunity to issue reply comments on the questions provided by Commission Staff and further elaborate on the proactive vision for DESRs from Commissioner Glotfelty's memo.[1] This project presents opportunities to refine Texas policies and address the regulatory uncertainty and cost burdens likely to determine the future investment decisions of private sector DESR developers in ERCOT.

II. Reply to Responses to Staff's Questions

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

New Leaf did not submit initial comments in response to this question. Upon review of others' comments filed on this question, New Leaf agrees with the significant majority of

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1 Commissioner Glotfelty Memorandum (Aug. 28, 2024).

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responding parties that argued that the Commission has implicit authority to implement a DESR interconnection allowance.[2] Provisions of the Public Utility Regulatory Act (PURA), such as §§ 14.001, 35.004(d), 35.006, 35.037, and 36.003, establish the Commission's broad regulatory authority which includes the ability to set out the terms and conditions for DESR interconnections and set an allowance.

> **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?

New Leaf's views regarding the overarching advantages of a DESR allowance, and that such allowance should move forward, are addressed in its initial comments.[3] Many other commenting parties echoed these positions, arguing for greater parity between distribution and transmission level storage resources, lower barriers to entry for DESR and greater investment certainty, and encouraging that the economic siting of storage resources will outweigh any implementation challenges or cost reallocation questions.[4] These comments generally recognized the grid reliability, resilience, and economic benefits that DESR provides.

> **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?

New Leaf's support for Commissioner Glotfelty's recommendation to set the distribution interconnection allowance at $1.5 million was set out in its initial comments.[5] Most other

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[2] See initial comments of Hunt Energy Network, LLC ("Hunt") at 2-3; SMT Energy LLC ("SMT") at 1-2; HGP Storage, LLC ("HGP") at 1; Texas Advanced Energy Business Alliance ("TAEBA") at 1; Texas Solar Power Association ("TSPA") and the Solar energy Industries Association ("SEIA") at 3-4; Regis Energy Partners LP ("Regis") at 1; CenterPoint Energy Houston Electric, LLC ("CenterPoint") at 1-2; Base Power, Inc. at 1; AEP Texas Inc. ("AEP") at 1; Grid Resilience in Texas ("GRIT") at 1-2; the Office of Public Utility Counsel ("OPUC") at 3; Oncor Electric Delivery Company LLC ("Oncor") at 3-4; Texas-New Mexico Power Company ("TNMP") at 1; Texas Industrial Energy Consumers ("TIEC") at 3-4. Only three parties claimed explicit, specific statutory direction is needed.

[3] See initial comments of New Leaf at 2.

[4] See initial comments of Hunt at 3-4; SMT at 3; HGP at 2; TAEBA at 2; TSPA and SEIA at 5; Regis at 1-2; East Point Energy ("East Point") at 2; Shell Energy North America (US) LP ("Shell") at 1; CenterPoint at 2; Base Power at 2; and GRIT at 2.

[5] See initial comments of New Leaf at 2-3.

commentors agreed.[6] New Leaf is not necessarily opposed to a tiered approach, as suggested by some commenting parties,[7] but believes Glotfelty's suggestion is a reasonable standard starting point until data for a tiered approach is gathered.

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

New Leaf did not submit initial comments in response to this question. Upon review of others' comments filed on this question, New Leaf agrees with commentors such as Hunt and SMT that costs could be (1) uplifted to TCOS, or (2) recovered through cost of service similar to load interconnection allowances.[8] Many other commenting parties recognized the fairness of allocating all or some of the interconnection allowance costs to TCOS.[9]

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

New Leaf's support for a consistent allowance applicable throughout ERCOT, regardless of the specific utility service area, was set out in its initial comments.[10] Other DESR providers and OPUC agreed with New Leaf's bid for uniformity within ERCOT.[11] Again, if an allowance is established in some areas of ERCOT but not others, DESR interconnection would be incentivized in some areas and disincentivized in others, potentially depriving some parts of the ERCOT system of the benefits that DESR brings to the grid.

> **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

[6] See initial comments of Hunt at 4-5; SMT at 3; HGP at 2-3; TAEBA at 2-3; TSPA and SEIA at 6-7; Regis at 2; East Point at 3; Shell at 1-2; CenterPoint at 3; and GRIT at 2-3.

[7] See initial comments of Base Power at 2-3; AEP at 2; TNMP at 2; and TIEC at 5-6.

[8] See initial comments of Hunt at 5-6 and SMT at 4.

[9] See also initial comments of HGP at 3; TSPA and SEIA at 7; Regis at 2; East Point at 3; Shell at 2; and CenterPoint at 3-4.

[10] See initial comments of New Leaf at 3-4.

[11] See initial comments of Hunt at 6-7; SMT at 5; HGP at 3; TAEBA at 3; TSPA and SEIA at 8; Regis at 2; East Point at 4; Shell at 2; and OPUC at 5-6.

the costs associated with this allowance? What factors should the Commission consider in developing such a mechanism?

New Leaf did not submit initial comments in response to this question, and does not submit reply comments at this time.

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

New Leaf addressed two issues in some detail in its initial comments: monthly distribution system charges[12]; and artificial charging limitations imposed by some distribution utilities.[13] Nothing in other initial comments changed New Leaf's position on these two important topics. Several other commenting parties also expounded upon costs imposing a barrier to entry for DESRs, underscoring New Leaf's arguments.[14]

Several commenting parties also raised the inconsistent interconnection timelines as a disparity faced by storage resources that interconnect at the distribution level.[15] New Leaf agrees, and New Leaf supports any Commission effort to set a more standardized distribution interconnection timeline and process across ERCOT.

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

New Leaf again urges adoption of the suggestions from its initial comments to uplift DESR costs to TCOS and to utilize "dynamic" charging limitations that reflect real-world DESR behavior.[16]

Collectively, creating the proposed distribution interconnection allowance; applying such allowance uniformly across all of ERCOT, if possible; uplifting DESRs interconnection costs to TCOS rather than monthly system charges, either in whole or in large part; eliminating artificial static charging limitations; and creating a more standardized interconnection timeline and process

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12 See initial comments of New Leaf at 4-5 and 6-8.

13 *Id.* at 5 and 8.

14 See initial comments of HGP at 1-2; Base Power at 1; Shell (throughout); TSPA and SEIA (throughout); and TAEBA at 5.

15 See initial comments of Regis at 3; Shell at 2; and GRIT at 5.

16 See initial comments of New Leaf at 6-8.

would all go a long way toward reducing barriers to entry related to regulatory uncertainty. Such efforts would also create greater parity for all storage resources, regardless of the interconnection voltage. Such policies would greatly encourage continued private investment in DESRs in ERCOT, better ensuring that ERCOT ratepayers receive the many benefits of DESRs set out in New Leaf's initial comments.[17]

III. Conclusion

New Leaf sincerely appreciates the opportunity to respond to Commission Staff's questions and to other stakeholders' initial comments and looks forward to continuing to work with Commission Staff and others as Project No. 54224 moves forward.

A one-page, bulleted summary of New Leaf's initial and reply comments follows, as requested in Staff's list of questions.

Respectfully submitted,

James McGarry, Western Director of Policy & Business Development, New Leaf Energy, Inc.

17 See initial New Leaf comments at 2 and 6-7.

new leaf energy

Summary of New Leaf Energy's Comments

- The Commission has broad, implicit authority to set a distribution interconnection allowance under existing law.
- A uniform $1.5 million distribution allowance should be set, uniform across ERCOT.
- DESR interconnection costs should be uplifted to the TCOS.
- "Dynamic" charging limitations should be set that use real time substation load to set battery charging limits – not "worst case scenario" loads that create artificial, static charging limitations that do not reflect DESR behavior.
- DESR interconnection processes and timelines should be standardized.
- These policies will help reduce cost barriers to entry, create greater regulatory certainty, and help minimize disparities between transmission-connected energy storage and DESR, encouraging further DESR development in ERCOT.
- DESRs provide many benefits to the ERCOT system and its ratepayers.
    - <u>Improved distribution system resiliency</u>: DESRs are fully qualified by ERCOT to provide both energy and ancillary services, and they meet the same qualifications and provide the same ancillary service and systemwide energy benefits as all other resources qualified to provide energy and ancillary services, including storage resources interconnected at transmission voltage.
    - <u>Increased local supply during high-cost peak hours</u>: As a decentralized resource located close to load, DESRs can come online quickly and provide a much-needed source of capacity and congestion relief across a wider geographic footprint than an equivalent amount of capacity from centralized utility-scale resources.
    - <u>A reduced need for costly long-term infrastructure upgrades</u>: Unlike traditional sources of load, DESRs discharge to the grid as much energy as they store. This is a net benefit to ratepayers because DESRs are incented by market signals to charge and discharge the battery in a manner that supports congestion relief.