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**PROJECT NO. 54233
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COST RECOVERY	§	BEFORE THE
FOR SERVICE TO DISTRIBUTED	§	PUBLIC UTILITY COMMISSION
ENERGY RESOURCES	§	OF TEXAS

REPLY COMMENTS OF GRID RESILIENCE IN TEXAS

Grid Resilience in Texas (“GRIT”) is comprised of a group of leading flexible generation and microgrid companies, including Base Power Company, Cummins Inc., Enchanted Rock, Generac Power Systems, Mainspring Energy, PowerSecure Inc., and Sunnova Energy.

In response to comments filed by parties on Commission Staff’s memorandum regarding cost recovery for service to Distributed Energy Resources (“DERs”), GRIT provides these reply comments to provide several clarifications, highlight areas of potential compromise, and to offer support for helpful suggestions that were raised.

DISTRIBUTED ENERGY RESOURCES PROVIDE SIGNIFICANT VALUE TO THE ERCOT GRID

In a number of comments, parties suggest that there are no disparities between distributed generation and energy storage resources interconnecting at transmission and distribution voltages in terms of interconnection cost responsibility because “the distribution system serves end-use customers, while the transmission system transmits electricity from generators to the distribution system.”¹ While this may have been true with respect to historical design of the grid, distribution-connected resources have rapidly expanded on the ERCOT system over the past two decades and contribute significantly to the reliability of the interconnected transmission and distribution system as a whole today. That is, the system no longer operates to balance supply and demand purely through the one-way delivery of power from large generation to end-users. The current interconnection cost policy, which only allows socialization of costs for transmission-connected assets, does not account for the new reality that distribution-connected resources can and do provide system-level benefits in service to the reliable delivery of power to end-users.

Some parties suggest that only Distributed Generation Resources (DGRs) and Distributed Energy Storage Resources (DESRs) should be considered as grid resources eligible for an

¹ Texas Electric Cooperatives, Inc. (TEC) Comments in response to Question 7. See also Texas Industrial Electric Consumers’ (TIEC) Comments in response to Question 2.

interconnection allowance.² The suggestion, however, is flawed. The proposed limit would automatically make an interconnection allowance inaccessible for the types of resources that the Commission is attempting to attract into the market via the Aggregated DER program. None of the current or prospective resources could qualify to be DGR or DESRs, even though they are qualified to participate in energy and ancillary services³. Furthermore, many DERs provide system-level resource adequacy benefits via the Emergency Response Service program and have been called on by ERCOT throughout the program's history to help prevent load shed events. In both programs, many of these resources are located behind a customer meter and able to provide backup power service to a customer when the distribution grid is experiencing outages. DERs should not be penalized because they can provide distinct local services that transmission-connected resources cannot. When ERCOT dispatches a behind-the-meter DER, a portion of the response will look like a reduction in load and a portion of response will look like export power, but it is all for the system's benefit. DER operations for ADER and ERS do not primarily benefit local customers just because they are located alongside or behind local customer loads.

In supporting the distribution interconnection allowance, GRIT is not proposing preferential treatment or subsidization, but only that DERs can compete with transmission level assets on a level playing field via comparable interconnection cost treatment.

“BLANK CHECK” CONCERNS MUST BE ADDRESSED

Commenters raise legitimate concerns about the potential for excessive costs to harm consumers under a new distribution interconnection allowance. GRIT believes that cost concerns can be overcome by addressing two key features. First, an allowance structure could vary for project size given the nature and magnitude of the typical interconnection costs for DERs of different scale.⁴ GRIT believes a \$/kW allowance as proposed by the Office of Public Utility Counsel may be worthwhile to evaluate as an alternative to a tiered allowance. Second, the Commission must continue parallel work on technical standards to define what facilities may be covered by the allowance and process improvements to create cost transparency for required upgrades. As an example, TEC cites 16 Tex. Admin. Code § 25.195(f)(1), which requires generators interconnected at transmission to pay for step-up transformers and other protective

² Oncor Electric Delivery Company LLC's comments on page 2.

³ It is worth noting that the Non-Spinning Reserve and ERCOT Contingency Reserve Service products accessible to ADERs are both procured at the system level, not at the load zone or TDSP level.

⁴ See GRIT's comments in response to Question 3.

equipment at the point of interconnection, to point out the distinct treatment between transmission interconnection and distribution interconnections. However, given the benefits of DERs highlighted by parties in initial comments, an analogous rule may need to be considered so that DERs have no cost responsibility for step-up transformation for most projects (since power is delivered back to the grid at grid voltage or through existing transformers) and no cost responsibility for protective systems beyond the point of interconnection. GRIT agrees with TIEC comments that “the interconnection process for DERs is less transparent and uniform than for transmission-level generators”⁵ and would support discussion on a pro forma tariff and generator interconnection agreement between DERs and utilities.

The risk of excessive interconnection costs under an allowance is not solved, however, by trusting that “market forces should dictate to DERs where to seek interconnection.”⁶ The selection of interconnection points can be a costly trial-and-error activity for transmission and distribution assets alike and there are no public data sources available to direct resource siting based on expected interconnection costs.⁷ Unlike transmission assets that can look to locate where most economic after some trial-and-error, DERs are, in many cases, directed to interconnection points based on customer demand and have less flexibility to move a project based on interconnection costs.

COST ALLOCATION SHOULD TRACK WITH BENEFITS

Parties covered a broad range of perspectives on cost allocation, but the majority seemed to agree that costs should be allocated on a “beneficiary pays” basis. As noted in GRIT’s initial comments, DERs provide benefits at both the local utility and system-wide level and could be rightfully allocated in either manner. A compromise solution might attempt to split the allocation so that a portion is socialized within the distribution utility and a portion is socialized in a similar manner to transmission costs.

CONCLUSION

GRIT appreciates the Commission’s leadership on this important issue and continues to urge expeditious action in Project Nos. 54224 and 54233 to implement a reasonable distribution interconnection allowance and associated interconnection process improvements to bring needed

⁵ TIEC comments in response to Questions 7 and 8.

⁶ TEC comments in response to Question 3.

⁷ See Advanced Energy United’s 2023 Generator Interconnection Scorecard, Section 5.2 Pre-Queue Information.

resources to the grid quickly and efficiently. GRIT's silence on any issues not addressed in reply comments should not be considered acceptance or rejection of other parties' positions on those issues.

Respectfully submitted,

By GRIT Member Companies:

Base Power Company: /s/ *Tori Villarreal*
Tori Villarreal
Head of Public Policy and Government Affairs
Base Power Company
tori@basepowercompany.com

Cummins, Inc: /s/ *Michael Sanford*
Michael Sanford
Business Development Manager – New Energy
Solutions
Cummins Inc.
michael.sanford@cummins.com

Enchanted Rock: /s/ *Joel Yu*
Joel Yu
VP of Policy
Enchanted Rock, LLC.
jyu@enchantedrock.com

Generac Power Systems: /s/ *Meredith Roberts*
Meredith Roberts
Director of Policy and Regulatory Affairs – West
Generac Power Systems
Meredith.roberts@generac.com

Mainspring Energy: /s/ *Brian Kauffman*
Brian Kauffman
Director, Wholesale Market Development
Mainspring Energy
brian.kauffman@mainspringenergy.com

PowerSecure: /s/ *Thomas Wells*
Thomas Wells
Federal & State Policy Manager
PowerSecure
twells@southernco.com

EXECUTIVE SUMMARY, GRID RESILIENCE IN TEXAS (GRIT)

- Contrary to several parties' comments, DERs provide substantial value to the ERCOT grid and will only continue to increase in importance in managing system level reliability.
- It is unreasonable and unnecessary to limit an allowance to the interconnection of DGRs and DESRs or to exclude DERs that are located behind the meter and provide backup power service to a customer.
- Concerns about cost impacts can be addressed through a tiered allowance structure or \$/kW structure and through work on increasing transparency and consistency in DER technical standards and interconnection processes.
- Cost allocation should track with benefits. Compromise between positions may include recognition of the fact that DERs provide local and system-level benefits.
- GRIT urges the Commission to expedite the finalization of this rulemaking process by the end of the year to provide the regulatory certainty needed for investment in and rapid deployment of vital infrastructure.