



## Filing Receipt

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**PROJECT NO. 54233**

**TECHNICAL REQUIREMENTS AND INTERCONNECTION PROCESSES FOR DISTRIBUTED ENERGY RESOURCES (DERs)**      §  
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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**TEXAS INDUSTRIAL ENERGY CONSUMERS’ REPLY COMMENTS ON  
THE DISCUSSION DRAFT OF §25.211 AND §25.212**

**I. INTRODUCTION**

Texas Industrial Energy Consumers (TIEC) recommends that the cost recovery issues related to Distributed Energy Resources (DERs) should be addressed exclusively in Project No. 54224, consistent with Commission Staff’s memo in Project No. 51603 issued on October 18, 2022.<sup>1</sup> As commenters have mentioned, the Discussion Draft addresses issues related to the Contribution in Aid of Construction (CIAC) for distribution resources<sup>2</sup> and charges that a Distribution Service Provider (DSP) may allocate to DERs.<sup>3</sup> If the Commission decides to address these issues in this rulemaking, TIEC recommends the Commission reject the Joint Storage Commenters’ recommendation to exempt distribution resources from paying a CIAC, as well as their recommendation to exempt distribution resources from DSP charges related to importing power.

**II. COMMENTS**

**A. The Commission should reject the Joint Storage Commenters’ recommendation to exempt distribution resources from paying a CIAC.**

TIEC opposes the Joint Storage Commenters’ recommendation to include all interconnection costs in TCOS, as well as their alternative recommendation to only include the cost of the interconnection facilities within the DSP’s substation in TCOS. The Joint Storage

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<sup>1</sup> *Review of Distributed Energy Resources*, Project No. 51603, Staff Memo for Plan for New Projects and Questions (Oct. 18, 2022) (available at: [https://interchange.puc.texas.gov/Documents/51603\\_71\\_1246590.PDF](https://interchange.puc.texas.gov/Documents/51603_71_1246590.PDF)).

<sup>2</sup> Discussion Draft Rule § 25.211(g).

<sup>3</sup> Discussion Draft Rule § 25.211(d).

Commenters believe that Distributed Energy Storage Resources (DESRs) and Distributed Generation Resources (DGRs) should be exempt from paying a CIAC because it is not required of their transmission-interconnected competitors. While it may be appropriate to provide some interconnection allowance, it is inappropriate to completely exempt distribution resources from paying a CIAC. TCOS' "postage stamp" socialization policy was implemented to encourage competitive generation development in ERCOT and recognizes that the transmission system is heavily interconnected, so the benefits of new generation at transmission voltage affect customers across ERCOT. Similar to other generation resources, distribution resources will provide some system-wide benefit by increasing overall available generation in ERCOT, so it could be fair to reflect some portion of the interconnection costs in the cost allocation process. However, TIEC would not support uplifting all of these distribution-related charges to TCOS. Unlike transmission-connected resources, energy that flows to or from DERs must be transformed from transmission to distribution voltage or vice versa. As such, interconnecting DERs adds to the cost of building and maintaining distribution substations, and some portion of those costs should be borne by the DER that chose to site on the distribution system. Otherwise, this creates undue preferential treatment for distribution-level resources as compared to transmission-connected generators.

As discussed in Project No. 54224, TIEC could support some kind of interconnection allowance for DERs to create parity with similar types of generation at transmission voltage. But currently, there is no check on the reasonableness of transmission interconnection costs as compared to the benefits, so transmission voltage generation resources exercise little siting discipline to help control these costs. For example, there have been situations where customers are paying \$25-30 million to interconnect remotely sited facilities that only deliver 25-30 MW across peak demand periods. As such, DER interconnection costs should be subject to an allowance instead of a blank check to encourage developers to exercise discretion and limit potential cost exposure for ERCOT consumers. Importantly, TIEC does not support an interconnection allowance that includes O&M costs for maintaining the interconnection facilities or other distribution-related costs. DESRs in particular will cause their DSPs to incur distribution-related costs for transforming energy and when the DESR is acting as a load on the local distribution system. These costs should be borne by the DESR because it is acting as a load, and the related costs are not directly benefiting other customers.

The Commission should not include all distribution-related charges in TCOS, which would occur if the Commission included all interconnection costs in TCOS or if the Commission included the cost of the interconnection facilities within the DSP's substation in TCOS. Under the Joint Storage Commenter's recommendation, the Commission would functionally be socializing distribution-related costs across the ERCOT system. DERs, and DESRs in particular, create additional system costs as compared to transmission voltage resources. For instance, compared to transmission voltage batteries, DESRs avoid costs associated with building their own transmission-level step-up facilities. Instead, DESRs interconnect to distribution feeders and use utilities' substations to transform energy whenever they charge or discharge. Just as a transmission connected battery owns (and pays for the maintenance of) its facilities, DESRs should be responsible for the costs of building and maintaining at least some portions of the distribution facilities that DESRs use. Uplifting all distribution-related interconnection costs to TCOS, including the costs of the facilities within the substation, would lead to unduly preferential treatment for distribution resources. Therefore, the Commission should reject the Joint Storage Commenters' recommendation to include all interconnection costs in TCOS. Again, TIEC believes this issue is squarely raised in Project No. 51603 and should be exclusively addressed there instead of this rulemaking.

**B. The Commission should not exempt DESRs from paying DSPs for using the distribution system to charge.**

TIEC opposes providing DESRs with a blanket exemption from DSP import and export charges. The Joint Storage Commenters advocate for expanding Discussion Draft Rule § 25.211(d)(1) to prohibit a DSP from charging a distribution resource provider for importing energy to charge a battery.<sup>4</sup> However, unlike transmission-voltage batteries, DESRs rely on their DSPs to transform energy when the battery charges and discharges, so there are added distribution-related costs associated with maintaining the distribution substations that serve DESRs. As such, the DSPs should be permitted to charge DESRs for those associated costs based on DESRs' characteristics as load. Uplifting these costs to the market creates a subsidy and uneven treatment as compared to transmission connected resources. The distribution-related cost of expanding or

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<sup>4</sup> Joint Storage Commenters at 8-9.

maintaining a substation to meet the needs of DESRs operating as a load should be borne by DESRs, not borne by the distribution utility's other customers or spread among all customers through TCOS.

The Joint Storage Commenters' reasoning does not justify creating an exemption for DSP rates when DESRs act like a load. Specifically, the Joint Storage Commenters argue that a battery is like a way station for power, and that only end-use customers should be charged for power delivery.<sup>5</sup> However, the fact is that getting power to such a way station is more expensive if it is located on the distribution system. As explained previously, DESRs create additional transformation costs compared to batteries that are sited on the transmission system. Specifically, DESRs avoid the cost of building their own facilities to transform power to and from transmission voltage by interconnecting at the distribution level and relying on their DSP's transformation capabilities. Accordingly, DESRs are not analogous to a transmission-voltage batteries and should not be exempted from DSP charges they incur due to using the distribution system like a load.

### **III. CONCLUSION**

TIEC appreciates the opportunity to respond to the Commission's discussion draft and questions and looks forward to continuing to work with Commission Staff and other stakeholders as this project moves forward.

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<sup>5</sup> Joint Storage Commenters at 9.

Respectfully submitted,

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*/s/ Katie Coleman*

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**ATTORNEYS FOR TEXAS INDUSTRIAL  
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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**TEXAS INDUSTRIAL ENERGY CONSUMERS’ REPLY COMMENTS**

**Executive Summary**

- TIEC recommends that cost recovery issues related to DERs should be addressed exclusively in Project No. 54224.
- TIEC opposes the Joint Storage Commenters’ recommendation to include all interconnection costs in TCOS, as well as their alternative recommendation to only include the cost of the interconnection facilities within their DSPs’ substations in TCOS.
  - As discussed in Project No. 54224, TIEC could support some kind of interconnection allowance for DERs to create parity with similar types of generation at transmission voltage. But TIEC does not support an interconnection allowance that includes O&M costs for maintaining the interconnection facilities necessary to serve DERs or other distribution-related costs.
  - Just as a transmission connected battery owns (and pays for the maintenance of) its facility, DESRs should be responsible for the costs of building and maintaining at least some portions of the distribution facilities that DESRs use. Uplifting all distribution-related interconnection costs to TCOS, including the costs of the facilities within the substation, would create preferential treatment for distribution resources.
- TIEC opposes providing DESRs with a blanket exemption from DSP import and export charges. The distribution-related cost of expanding or maintaining a substation to meet the needs of DESRs operating as a load should be borne by DESRs, and not shifted to the distribution utility’s other customers or spread among all customers through TCOS.
  - Unlike transmission-voltage batteries, DESRs create additional transformation costs compared to batteries that are sited on the transmission system. DESRs avoid the cost of building their own facilities to transform power to and from transmission voltage by interconnecting at the distribution level and relying on their DSP’s transformation capabilities.