



Control Number: 54233



Item Number: 86

OPEN MEETING COVER SHEET COMMISSIONER MEMORANDUM

MEETING DATE: August 29, 2024

DATE DELIVERED: August 28, 2024

AGENDA ITEM NO.: 22

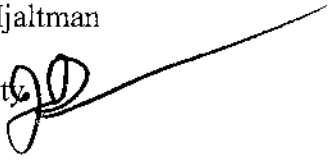
CAPTION: Project No. 54233 – Technical Requirements and Interconnection Processes for Distributed Energy Resources (DERS)

DESCRIPTION: Commissioner Jimmy Glotfelty Memorandum

Public Utility Commission of Texas

Commissioner Memorandum

TO: Chairman Thomas J. Gleeson
Commissioner Lori Cobos
Commissioner Kathleen Jackson
Commissioner Courtney K. Hjaltman

FROM: Commissioner Jimmy Glotfelty 

DATE: August 28, 2024

RE: August 29, 2024, Open Meeting – Items No. 21 & 22.
Project No. 54224 – Cost Recovery for Service to Distributed Energy Resources (DERS).
Project No. 54233 – Technical Requirements and Interconnection Processes for Distributed Energy Resources (DERS).

It is my hope that in the wake of Hurricane Beryl, the PUC takes a renewed and direct path toward completing the above dockets that we began in 2022. As recent events with CenterPoint Energy clearly demonstrate, we need to increase our focus on distribution reliability and resiliency.

Establishing a clear and uniform policy for the interconnection and cost treatment of distributed generation resources that interconnect into the distribution grid and participate in the ERCOT wholesale market is an important competitive concept that deserves further work by this Commission.

Likewise, removing barriers to entry is a hallmark of the ERCOT competitive market and that is what we must do at the distribution level, just as we did at the transmission system over 25 years ago. It imperative that we encourage these resources through a clear and uniform statewide policy and that removes roadblocks.

A modernized distribution grid can utilize thousands of distribution-connected resources improve reliability and resiliency and make disruptions less painful to citizens and businesses alike.

To efficiently move these two projects to completion, I suggest we consider the following path forward:

1. Prepare for Approval for Publication a Proposed Rule that mirrors the strawman draft rule that the Commission Staff developed in Project No. 54233. This document has already received comments and has a staff conducted workshops with interested parties in

attendance. New comments in this process will allow the PUC staff to incorporate any new updates information regarding these resources.

2. Prior to finalizing and adopting the rule, the Commission should merge the distribution interconnection cost allocation issue into the 54233 rule with the following modifications:
 - a. I suggest we apply the same philosophy to distribution grid interconnection as we recently did for transmission interconnection and provide an interconnection allowance for distributed generation and storage resources.
 - b. If the allowance above is agreed to, I would suggest \$1.5million per interconnection allowance for resources connected below 138 kV. Staff could try to model this amount as they did the transmission allocation and determine an appropriate amount.
 - c. Interconnection costs above the allowance would be recovered from the resource through a Contribution In Aid of Construction (“CIAC”).
 - d. As already set forth in the strawman rule, the DSPs should be required to provide a detailed estimate of the interconnection costs so that there is not a new barrier to entry created through an inflation of interconnection costs. At the transmission level, this is managed by ERCOT and thus is not an issue. However, interconnecting customers must be able to contest these costs.
 - e. An issue that was briefed in 54224 that should be resolved here is what monthly charges can be levied to distribution-connected energy storage resources, which are not imposed storage resources at the transmission voltage. The issue was raised in the Oncor rate case, Docket No. 53601 over a year ago, and when we declined to consider the policy considerations (but approved the tariff), we promised to consider and resolve the policy issue for all DSPs. We still have not done so and we owe it to all parties to provide policy guidance.
 - f. If this policy is to apply to municipal and cooperatives, the commission must consider how to develop a wholesale cost recovery mechanism for these interconnections with the assurance that DG resources are serving the Ercot wholesale market.

I believe strongly that we need to take these steps to finalize these projects, which will make the distribution grid stronger and more resilient and enhance comparable open access throughout the entire grid, regardless of the voltage at which resources interconnect.

I look forward to discussing this with you and hearing from staff on this path forward.