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PROJECT NO. 54233
PROJECT NO. 54224

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

GENERATE CPAITAL'S COMMENTS IN RESPONSE TO COMMISSION STAFF'S QUESTIONS ON COST RECOVERY FOR SERVICE TO DISTRIBUTED ENERGY RESOURCES

I. INTRODUCTION

Generate Capital ("Generate") appreciates the opportunity to provide comments in response to the questions included in the Public Utility Commission ("Commission") Staff's September 9, 2024, memorandum regarding cost recovery for service to Distributed Energy Resources ("DERs"). Generate is a US-based infrastructure financier, owner, and operator. Generate owns and has financed various portfolios within ERCOT, across multiple asset types including behind the meter ("BTM") dispatchable generation and utility-scale energy storage. Generate owns roughly $1 billion in assets in ERCOT today and expects to invest more energy generation and storage in ERCOT over time. As part of its portfolio of BTM assets with operator Enchanted Rock ("Texas Microgrid"), Generate aims to help solve resiliency and reliability challenges, including those caused by extreme weather events, by providing long-term, uninterrupted power to customers with critical power needs. Generate is submitting these comments primarily with respect to its Texas Microgrid portfolio. Enchanted Rock submitted comments with "GRIT" coalition that provide a more fulsome response to the full set of questions posed. Generate endorses those comments and writes separately to provide more detail on a few questions from the perspective of an investor across technologies.

II. RESPONSES TO SELECTED QUESTIONS

1. ***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?***

Generate supports the proposed standard distribution resource interconnection allowance, as it would remove key barriers to financing distributed generation projects. By reducing the uncertainty regarding ultimate interconnection cost, the allowance would enable more projects to come online, enhancing grid resiliency and reliability. Furthermore, by setting a clear, standardized framework for the disclosure of interconnection costs, the proposal would bring predictability to asset owners and financing parties who often bear the risk of higher than anticipated interconnection costs. In particular, for asset owners and investors there is often uncertainty regarding (i) whether a Transfer Trip ("TT") solution will be required, and (ii) what the TT solution will cost. This uncertainty can inhibit investment in DERs.

2. ***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?***

Generate supports Commissioner Glotfelty's proposal of a $1.5 million distribution interconnection allowance for resources connecting below 138 kV. In practice, most distributed generation projects, especially smaller projects, will not require the full allowance amount, as system upgrades outside of on-site equipment typically do not exceed $1.5 million. A $1.5 million distribution interconnection allowance should accommodate almost all DERs. In Generate's experience, and for smaller distributed projects (1-5 MW), interconnections that require TT typically cost $200,000 to $500,000 more than a standard interconnection without TT. However, this varies widely by project size. Given this variability, this distribution allowance could be implemented as a sliding scale based on project size.

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

While Generate does not advocate for a specific approach, we believe it is reasonable to allocate cost recovery across the distribution system given the system-wide benefits that distributed generation resources provide. DERs, and in particular long- or unlimited-duration generation resources, provide significant benefits in terms of reliability and resilience locally. Utilizing the existing transmission cost recovery mechanism could provide a consistent and efficient framework for distribution-level interconnection cost allocation.

CONCLUSION

Generate appreciates the opportunity to submit these responses to Commission Staff's questions for comment on the proposal of a distribution interconnection allowance. As the Commission continues to move forward with Project Nos. 54224 and 54233 and related efforts, Generate is committed to supporting the effort to ensure improved grid reliability, resiliency, and stability.

Respectfully submitted,

By Signed by:

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General Capital, PBC.

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EXECUTIVE SUMMARY:

- Generate supports the proposed standard distribution resource interconnection allowance, as it would remove key barriers to financing distributed generation projects.
- Generate supports Commissioner Glotfelty's proposal of a $1.5 million distribution interconnection allowance for resources connecting below 138 kV. In practice, most distributed generation projects, especially smaller projects, will not require the full allowance amount
- While Generate does not advocate for a specific approach, we believe it is reasonable to allocate cost recovery across the distribution system given the system-wide benefits