



Filing Receipt

Filing Date - 2023-10-25 01:33:18 PM

Control Number - 55566

Item Number - 37

PUC PROJECT NO. 55566

**GENERATION INTERCONNECTION § BEFORE THE
ALLOWANCE § PUBLIC UTILITY COMMISSION
§ OF TEXAS**

**WIND ENERGY TRANSMISSION TEXAS, LLC’S REPLY COMMENTS TO
GENERATION INTERCONNECTION ALLOWANCE QUESTIONS**

Wind Energy Transmission Texas, LLC (“WETT”) files these Reply Comments to the Responses filed by Market Participants on October 11, 2023, to the Generation Interconnection Allowance Questions filed by Staff (“Staff”) of the Public Utility Commission of Texas (“Commission”) on September 26, 2023, in the above-described proceeding, and would respectfully show as follows:

I. General Reply Comments on Interconnection Allowance Proposals

WETT appreciates the ongoing opportunity to contribute to this proceeding and to assist in formulating an allowance that complies with the legislature’s overall intent, contributes to consumer savings, and accounts for the intricacies of the Texas electricity market.

- Historically, electricity in Texas has been 12 percent to 30 percent lower than the national average, depending on the consumer group.¹
- More and more generation is needed to both accommodate Texas’ growing demand and maintain grid stability.
- ERCOT has set 10 new all-time peak demand records this year and 21 monthly peak records over the summer.²
- To continue to meet these needs and to maintain Texas’ position as a leader in affordable electricity, WETT urges the Commission to carefully avoid creating disincentives to generation interconnection.

¹ Independent Statistics and Analysis, U.S. Energy Information Administration. Texas State Profile and Energy Estimates (last updated June 15, 2023) (available at <https://www.eia.gov/state/?sid=TX#tabs-5>) (citing Electric Power Monthly).

² ERCOT 2023 Peak Demand Records (available at <https://www.ercot.com/static-assets/data/news/Content/a-peak-demand/2023/all-time-records.htm>).

Market Participants have submitted a wide variety of proposals for formulating an interconnection allowance that attempts to balance the needs for generation and an efficient interconnection process with the Legislative goal to curb certain costs of interconnection. Like many Market Participants, WETT recommends that any interconnection allowance:

- Should be simple and efficient to administer,
- Should take into account various differences impacting interconnection costs, such as voltage, terrain, regional costs, etc., so as to effectively accomplish the Legislative goals,
- Should not include station costs,
- Should not provide disincentives to the interconnection of generation,
- Should not provide penalties or preferences to technology, and
- Should provide a good cause exception for extenuating circumstances.

II. Responses to Specific Questions

- QUESTION 1.** Should there be a single allowance amount, formula, or set of formulae, applicable to all transmission service providers (TSPs) in ERCOT, or should the details of each allowance be specific to each TSP?
- QUESTION 2.** Should a single allowance amount or formula apply to transmission-level generation interconnections, or should there be different allowances based on various characteristics of the interconnection? Some examples of possible characteristics include the distance between the interconnecting generator and the existing transmission facilities, voltage level of the transmission system the generator is interconnecting to, the fuel type of the generator being interconnected, and the size of the generator being interconnected.
- QUESTION 3.** If there should be different allowance amounts or formulae based on various characteristics of the interconnection, then what characteristics or parameters should be used, and why?

For efficiency, WETT will reply to Market Participants' responses to Commission Staff's first three questions regarding the varied factors to be considered in an interconnection allowance. ERCOT's existing interconnection process has been advocated as a model for

interconnection reform nationwide.³ WETT echoes the comments of Market Participants that any interconnection allowance should be simple to administer so as not to create needless barriers within the interconnection process. In addition, to mitigate any potential unintended disincentives to generation, the Commission should permit developers the opportunity to request good cause exceptions to the interconnection allowance for extenuating circumstances that may exist for interconnecting needed generation or for meeting the Legislative intent of decreasing costs to consumers.

1. The costs of interconnecting at different voltages vary widely and should not be averaged in the allowance calculation.

Like many Market Participants, WETT recognizes that a one-size-fits-all approach may not be appropriate for Texas' complex interconnection queue and could lead to unintended consequences of disincentivizing the diversity of generation technologies or the location of generation. Ultimately, the allowance should be calibrated such that it is sufficient to cover most interconnections regardless of technology, voltage level, or location within the State, while effectively accomplishing the Legislative intent of House Bill 1500 to reduce costs due to siting decisions. A reasonably set interconnection allowance could account for differences in terrain, regional costs, engineering standards in various locations, and types of facilities necessary to interconnect generation given the climate and associated risks, while still providing incentives to developers to reduce costs by making reasonable siting decisions.

Particularly, the voltage level of an interconnection significantly impacts the reasonable and necessary costs of interconnection. If 345 kV interconnections are measured against an average of 345 kV and other lower voltages, it may make it harder for a developer to connect at

³ Tyler Norris, *Beyond FERC Order 2023, Considerations on Deep Interconnection Reform* at 2, Duke's Nicholas Institute for Energy, Environment & Sustainability (August 2023) (available at <https://nicholasinstitute.duke.edu/sites/default/files/publications/beyond-ferc-order-2023-considerations-deep-interconnection-reform.pdf>).

345 kV (potentially discouraging interconnections at higher voltages). If the costs of interconnection at all voltages are averaged, the interconnection at a lower voltage would have an undue advantage because the allowance would cover more costs (and may not have the effect intended by the Legislature). Developers should not be disincentivized from interconnecting at a higher voltage when necessary and appropriate to interconnect needed generation. Ratepayers have already paid for the 345 kV transmission system, and setting an allowance that penalizes connecting to the higher voltage could effectively strand that investment.

2. Station facilities are part of the transmission system and benefit the entire system.

Station costs should not be considered as interconnection costs for purposes of the interconnection allowance in order to maintain efficient interconnections and appropriate incentives for the interconnection of generation. Each new interconnection requires the use of a station bay and such costs may not be mitigated by siting generation closer to transmission. Requiring developers to fund station costs creates a potential “first-in” disincentive for developers of needed generation. If a new substation is required, and the first developer needing that substation is required to make up the difference between the interconnection allowance and the cost of the new substation, the next developer in line that uses that substation for interconnection purposes may receive the benefit of the first developer without having the same outlay of funds. This could result in the unintended consequence of a developer removing itself from the queue until another developer pays for the needed substation. PJM is one region where the costs of such system upgrades are allocated based on a developer’s position in the interconnection queue.⁴ PJM also has the highest backlog of interconnection requests causing

⁴ PJM Manual 14A: New Service Request Process, Revision 30, Attachment B: Cost Allocation Procedures at 60-66 (July 26, 2023) (available at <https://www.pjm.com/~media/documents/manuals/m14a.ashx>).

PJM to suspend its review of 1,200 projects for two years.⁵

Market Participants have submitted proposals that may contemplate sufficiently incorporating station costs, in some form, within an interconnection allowance. Those include:

- Setting a standard interconnection allowance based on the standard facilities necessary for interconnection,⁶ which would include station costs.
- Setting the allowance to cover the costs that do not require a utility to obtain a certificate of convenience and necessity (“CCN”) (which would include station costs), and then a potential additional amount for certain costs required by a CCN,⁷ and
- Setting the interconnection allowance at a high enough level that would cover most new generation interconnections with minimal or no developer contributions required.⁸

WETT continues to believe that station costs should not be included in the allowance, however recognizes that a properly designed interconnection allowance under any of the above proposals could potentially generate cost savings to consumers while delicately balancing the need for interconnecting generation and maintaining economic electricity prices.

3. An interconnection allowance should not give preferences or penalties to certain technologies.

WETT cautions against adopting certain proposals for any interconnection allowance that gives preferences or penalties to certain technologies or fuel types. It is clear from Legislative history that the allowance is to be applied uniformly across generation technologies.⁹ An allowance that considers fuel technology may hinder the intended goals of House Bill 1500,

⁵ William Driscoll, *All 13 States in PJM Grid Region Call for PJM to make faster interconnection*, PV Magazine (Oct. 31, 2022) (available at <https://pv-magazine-usa.com/2022/10/31/all-13-states-in-pjm-grid-region-call-for-pjm-to-make-faster-progress-on-interconnection/>).

⁶ See Comments of CenterPoint Houston Electric, LLC at 3.

⁷ See Joint Initial Comments of AEP Texas Inc. and Electric Transmission Texas, LLC. at 3.

⁸ Oncor Electric Delivery Company LLC’s Responses to Commission Staff’s Questions for Comment at 2.

⁹ House Bill 1500 requires the Commission to take into account the ability to reduce costs of the generation interconnection to consumers. A similar Bill, Senate Bill 1287, which required the Commission to take into account interconnection costs based on dispatchability and the reliability impact to the grid, was not passed by the Legislature.

which is to lower costs of interconnection, and conflict with the State’s policy to “ensure that an electric utility or transmission and distribution utility provides nondiscriminatory access to wholesale transmission service.”¹⁰ A mix of generation sources is needed to support the Texas grid and economy,¹¹ and an allowance that functionally penalizes certain sources may unnecessarily prevent the interconnection of generation and electricity cost savings from being realized by consumers. While increasing reliability is a critical goal of the State, there are several ongoing projects to increase reliability¹² that are a better forum for directly and effectively addressing such issues and that will not have the unintended consequence of deterring the interconnection of generation.

III. Conclusion

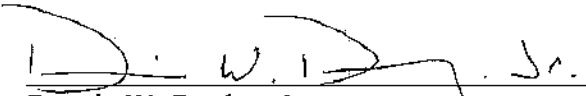
WETT appreciates the opportunity to participate in this project and looks forward to working with Staff and stakeholders in formulating an interconnection allowance that best addresses the language and intent of the new statute and is in harmony with existing state policy.

¹⁰ PURA § 35.004(b).

¹¹ Texas Comptroller Energy Tour: Statewide Overview, Texas Comptroller’s Office (Aug. 2023) (available at <https://comptroller.texas.gov/economy/economic-data/energy/2023/texas.php#edn17>) (“With its growing population, Texas requires a diverse energy portfolio to continue meeting demand. Energy diversification is crucial because it provides several energy sources to rely on, rather than depending on a single source, which promotes economic growth and independence.”).

¹² See e.g., Project No. 53298, Wholesale Eclectic Design Implementation; Project No. 55407, Texas Back-up Power Package; Project No. 54999, Texas Energy Fund; Project No. 55718, Reliability Plan for the Permian Basin Under PURA § 39.167; Project No. 55182, Circuit Segmentation Study; Project No. 55633, Winter Preparedness Work Session 2023.

Respectfully submitted,



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WETT Executive Summary of Reply Comments on Generation Interconnection Allowance

Any interconnection allowance should be simple and efficient to administer. Additionally, to accommodate extenuating circumstances, the Commission should allow for developers to request good cause exceptions to the interconnection allowance when it might further the objectives of the Legislation or goals of the State.

The voltage level of an interconnection significantly impacts the reasonable and necessary costs of interconnection. Accordingly, the allowance should compare the costs of interconnecting at the same voltage—not against an average of voltages.

In order to maintain efficient interconnections and appropriate incentives for the interconnection of generation, station costs should not be considered interconnection costs for purposes of the interconnection allowance.

- Station facilities are part of the transmission system and benefit the entire system. The costs of station facilities may not be avoided.
- ERCOT’s existing interconnection process has been advocated as a model for interconnection reform nationwide.
- Modifying the interconnection process so that station costs must be funded by the first developer necessitating such facilities disincentivizes developers to be the first to interconnect in some situations, and should be avoided.
- Regions such as PJM, where the costs of such system upgrades are allocated based on a developer’s position in the queue, are plagued by lengthy interconnection backlogs.

The interconnection allowance should not give preferences or penalties to certain technologies or fuel types.

- The objective of House Bill 1500 is to reduce costs of interconnections to consumers.
- An allowance that considers fuel or technology may hinder the intended cost savings goals of House Bill 1500 and conflict with the State’s policy to “ensure that an electric utility or transmission and distribution utility provides nondiscriminatory access to wholesale transmission service.”
- It is clear from Legislative history that the allowance is to be applied uniformly across generation technologies.
- There are several ongoing projects to increase reliability that are a better forum for directly and effectively addressing such issues and that will not have the unintended consequence of deterring the interconnection of generation.