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PUC PROJECT NO. 55566

**GENERATION INTERCONNECTION
ALLOWANCE**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

TCPA’S REPLY COMMENTS TO STAKEHOLDER COMMENTS FILED ON OCTOBER 13, 2023

Texas Competitive Power Advocates (“TCPA”)¹ appreciates the opportunity to provide reply comments on three areas addressed in stakeholder comments filed on October 13, 2023 in response to Staff’s questions for implementing the generation interconnection allowance as enacted in House Bill (“HB”) 1500, Section 9, 88th Regular Legislative Session. First, TCPA opposes the recommendation by some (e.g., Texas Electric Cooperatives and Apex²) to reallocate initial developer costs to subsequent developers, as this proposal will unnecessarily complicate the process for regulators and market participants. Second, TCPA has some concerns about the proposal by multiple transmission and distribution service providers (TDSPs) to establish a different allowance based on the voltage level connection,³ but believes the upcoming work session will be helpful to clarify whether the data strongly counsels such an approach. Third, TCPA requests the Commission publish individual responses to the Staff questions (or aggregated data

¹ TCPA is a trade association representing power generation companies and wholesale power marketers with investments in Texas and the Electric Reliability Council of Texas (ERCOT) wholesale electric market. TCPA members and their affiliates provide a wide range of important market functions and services in ERCOT, including development, operation, and management of power generation assets, power scheduling and marketing, energy management services and sales of competitive electric service to consumers. TCPA members participating in this filing own more than 55,000 MW of generating capacity in ERCOT, representing billions of dollars of investment in the state, and employing thousands of Texans. TCPA member companies participating in these comments include: Calpine, Cogentrix, Constellation (formerly Exelon), EDF Trading North America, Hull Street Energy, LS Power, NRG, Rockland Capital, Shell Energy North America, Talen Energy, Tenaska, TexGen Power, and Vistra. WattBridge is filing separate comments.

² PUC Project 55566, Generation Interconnection Allowance, Texas Electric Cooperatives Comments and Apex Clean Energy and Cypress Creek Renewables Comments, filed on October 13, 2023.

³ PUC Project 55566, Generation Interconnection Allowance, CenterPoint Energy Houston Electric Comments; Texas-New Mexico Power Company Comments; Oncor Electric Delivery Company Comments; Joint Comments of AEP Texas and Electric Transmission Texas, filed on October 13, 2023.

of those responses) to support data access and informed public discussion regarding historical interconnection costs that may otherwise be obscured by publishing data as a summary.

DEVELOPER REALLOCATION

TCPA, like a majority of the commenters, advocates for setting the allowance at a level that encourages rational and efficient siting decisions, as opposed to setting it in a manner that would establish a full-blown participant funding model. That is, the policy change in HB 1500 was a nudge, not an overhaul, of the interconnection funding process.

Furthermore, if the goal of interconnection allowances incentivizing efficient siting is accomplished, then there should not be significant costs to reallocate to future developers even if there were to be a shift toward a participant funding model. Such a reallocation would be unnecessary and would complicate interconnections for market participants, utilities, and the Commission. In addition, the potential for reallocation at a later date will raise some fundamental fairness questions for subsequent developers who had no say in the decisions regarding interconnection made by the first interconnecting entity. Similarly, future reallocation may decrease the incentive for a primary developer to be efficient and cost-effective in siting and interconnection decisions if the likelihood exists that future developers will be forced to pay some of the initial developer's interconnection costs, which is contrary to the purpose of HB 1500.

Regulatory certainty regarding interconnection cost rules is very important for developers; thus, interconnection costs should be readily apparent upfront. TCPA agrees that additional resource investment is needed in ERCOT and encourages the Commission to reject the proposals to reallocate among developers as unnecessary to properly implement the statute and as a likely complicating factor to accomplish the policy goals of the statute on the timeline given in the statute.

SEPARATE ALLOWANCES BASED ON TRANSMISSION VOLTAGE LEVEL

Several TDSPs discussed the potential for multiple allowances versus a single allowance system-wide. TCPA agrees with commenters such as LCRA and Texas Public Power Association (TPPA) that point to the singular use in the statute of “the allowance” and “a reasonable allowance.”⁴ As TIEC discusses as well, multiple allowances based on transmission service provider (TSP) service territory may increase inefficient siting decisions and cause inequities in resource location and availability.⁵

The proposal to set an allowance based on voltage level may also incentivize interconnection decisions based on voltage level, rather than on which interconnection option best delivers power effectively and efficiently to the grid. It is reasonable to expect that the Commission could set an allowance that would promote efficient siting decisions and cover the reasonable interconnection costs for either voltage level. TCPA looks forward to the workshop to better understand the spread of historical costs and whether those costs strongly support setting different allowances based on voltage levels, as suggested by several TDSPs, in order to further the purpose of the statute to incentivize efficient siting and interconnection decisions.

TCPA also provided some suggestions in its initial comments for a formulaic approach. While a single system-wide allowance would be the most transparent and easy to administer, TCPA recommends the Commission consider, in the alternative, reliability-based formulaic approaches if a single allowance is determined to be too simplistic. If a formulaic approach is used, the primary metric for setting the allowance should be a potential resource’s reliability contribution to the grid.

⁴ PUC Project 55566, Generation Interconnection Allowance, LCRA Transmission Services Comments and Texas Public Power Association Comments, filed on October 13, 2023.

⁵ PUC Project 55566, Generation Interconnection Allowance, Texas Industrial Energy Consumers Comments, filed on October 13, 2023.

In contrast, absent compelling historic data to support multiple allowances that are voltage-specific or TSP-specific, setting different allowances based on those factors could complicate the interconnection process as well as the ability of market participants to assess sites based on the most efficient avenue to deliver their power to the grid.

INTERCONNECTION DATA

TCPA is pleased to see the Staff questions⁶ issued directly to transmission service providers and believes access to this data will improve public consideration of an appropriate interconnection allowance. TCPA respectfully requests that individual company responses (or aggregated data of those responses) be published in this project in addition to the Staff memo with summary statistics. It would likely be helpful to be able to differentiate between the different TSPs to ascertain whether there are material differences in costs, and that individual data should not have confidentiality concerns if it is already included in rate base. Making this information available will be useful for public input as the rulemaking progresses and ultimately for data driven policy determinations associated with Staff questions. For example, this data could be used to guide discussion regarding a reasonable allowance in terms of various measures such as a total fixed allowance, volumetric \$/MW allowance, allowance based on a historical cost distribution or some other means. Additionally, granular data rather than summary data will allow better public discussion since outliers may be hidden by averages.

CONCLUSION

TCPA appreciates the thoughtful comments from other market participants and the opportunity to reply to the limited ideas for which additional complexity is not warranted to

⁶ https://interchange.puc.texas.gov/Documents/55566_6_1336931.PDF

improve reliability and protect consumers. We look forward to continuing to work with the Commission, Staff, and other stakeholders at the November 7 workshop and throughout this project.

Dated: October 25, 2023

Respectfully submitted,

A handwritten signature in black ink that reads "Michele Richmond". The script is cursive and fluid, with the first name and last name clearly distinguishable.

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EXECUTIVE SUMMARY OF TCPA COMMENTS

- TCPA opposes the proposal by some commenters to reallocate developer costs.
 - Regulatory certainty regarding interconnection cost rules is very important for developers and interconnection costs should be readily apparent upfront.
- Statute's use of the singular "the allowance" and "a reasonable allowance" indicates a legislative preference for a single system-wide allowance.
 - The proposal to set an allowance based on voltage level could incentivize interconnection decisions based on voltage level, rather than on which interconnection option best delivers power effectively and efficiently to the grid. TSP data should help to inform this consideration.
 - TSP-specific allowances may increase rather decrease inefficient siting decisions and cause inequities in resource availability and location.
 - If a formulaic approach to the allowance is preferred, ensuring it is based on the interconnecting resource's reliability provided to the grid would be an equitable system-wide method to determine allowance.
- Making TSP interconnection data public will be helpful in receiving public information during the rulemaking process and driving data-determined decisions.