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Public Utility Commission of Texas

Memorandum

TO: Interested Persons

FROM: Mackenzie Arthur, Rules and Projects

DATE: November 3, 2023

RE: Project No. 55566, *Generation Interconnection Allowance*

Commission Staff will host a Transmission-Level Generation Interconnection Allowance Workshop on Tuesday November 7, 2023, for Project No. 55566. The workshop will start at 1:00 P.M. Central Time in the Commissioner's Hearing Room and will be broadcast live on AdminMonitor.

Commission Staff seeks feedback and recommendations from interested parties on the attached language to implement House Bill 1500, Section 9 (88R). If a party seeks to provide feedback or a recommendation, the party must (1) identify their name and the organization they represent, (2) provide the reasoning for why Commission Staff's proposed language is insufficient, and (3) why the party's recommendation is more appropriate.

Agenda:

1. Subsection by subsection review of the attached draft.
2. Other topics interested parties would like to raise for group discussion at the Workshop.
3. Next steps for Project No. 55566.
 - a. Tentative dates for project milestones:
 - i. Proposal for Publication issued late November 2023.
 - ii. Rule adoption February 2024.

CHAPTER 25. SUBSTANTIVE RULES APPLICABLE TO ELECTRIC SERVICE PROVIDERS.

Subchapter I. TRANSMISSION AND DISTRIBUTION

§25.195. Terms and Conditions for Transmission Service.

- (a) **Transmission service requirements.** As a condition to obtaining transmission service, a transmission service customer that owns a generation resource ~~electrical facilities, including~~ in the Electric Reliability Council of Texas (ERCOT) region ~~shall~~must execute interconnection agreements with the transmission service providers (TSP) to which it is physically connected. The commission-approved standard generation interconnection agreement (SGIA) for the interconnection of new ~~generating facilities shall~~generation resource must be used by power generation companies, exempt wholesale generators, and TSPs. A standard agreement may be modified by mutual agreement of the parties to address specific facts presented by a particular interconnection request ~~as long as~~provided that the modifications do not frustrate the goal of expeditious, nondiscriminatory interconnection and are not otherwise inconsistent with the principles underlying the SGIA.
- (b) **Transmission service provider responsibilities.** The TSP will plan, construct, operate and maintain its transmission system in accordance with good utility practice ~~in order to~~ provide transmission service customers with transmission service over its transmission system in accordance with Division 1 of this subchapter (relating to Open-Access Comparable Transmission Service for Electric Utilities in the Electric Reliability Council of Texas). The TSP ~~shall~~must, consistent with good utility practice, endeavor to construct and place into service sufficient transmission capacity to ensure adequacy and reliability

of the network to deliver power to transmission service customer loads. The TSP will plan, construct, operate and maintain facilities that are needed to relieve transmission constraints, as recommended by ERCOT and approved by the commission, in accordance with Division 1 of this subchapter. The construction of facilities requiring commission issuance of a certificate of convenience and necessity is subject to such commission approval.

- (c) **Construction of new facilities.** If additional transmission facilities or interconnections between TSPs are needed to provide transmission service ~~pursuant~~ in response to a request for such service, the TSPs where the constraint exists ~~must~~ shall construct or acquire the facilities necessary to permit the transmission service to be provided in accordance with good utility practice, unless ERCOT identifies an alternative means of providing the transmission service that is less costly, operationally sound, and relieves the transmission constraint at least as effectively as would additional transmission facilities.

~~(1) — When an eligible transmission service customer requests transmission service for a new generating source that is planned to be interconnected with a TSP's transmission network, the transmission service customer shall be responsible for the cost of installing step-up transformers to transform the output of the generator to a transmission voltage level and protective devices at the point of interconnection capable of electrically isolating the generating source owned by the transmission service customer. The TSP shall be responsible, pursuant to paragraph (2) of this subsection, for the cost of installing any other interconnection facilities that are designed to operate at a transmission voltage level and any other upgrades on its~~

~~transmission system that may be necessary to accommodate the requested transmission service.~~

~~(A) — An affected TSP may require the transmission service customer to pay a reasonable deposit or provide another means of security, to cover the costs of planning, licensing, and constructing any new transmission facilities that will be required in order to provide the requested service.~~

~~(B) — If the new generating source is completed and the transmission service customer begins to take the requested transmission service, the TSP shall return the deposit or security to the transmission service customer. If the new generating source is not completed and new transmission facilities are not required, the TSP may retain as much of the deposit or security as is required to cover the costs it incurred in planning, licensing, and construction activities related to the planned new transmission facilities. Any repayment of a cash deposit shall include interest at a commercially reasonable rate based on that portion of the deposit being returned.~~

~~(2) — A transmission service customer that is requesting transmission service, including transmission service at distribution voltage, may be required to make a contribution in aid of construction to cover all or part of the cost of acquiring or constructing additional facilities, if the acquisition of the additional facilities would impair the tax-exempt status of obligations issued by the provider of transmission services.~~

(d) Cost responsibilities to interconnect generation resources at transmission voltage.

- (1) A transmission service customer that requests transmission service at transmission voltage for a new generation resource that is planned to be interconnected with a TSP's transmission network is responsible for the cost of installing:

 - (A) step-up transformers to transform the output of the generation resource to transmission voltage level; and
 - (B) protective devices at the point of interconnection capable of electrically isolating the generation resource.
- (2) If the SGIA between the transmission service customer and the TSP is executed on or before December 31, 2025, then the TSP is responsible for the cost of installing any other interconnection facilities that are designed to operate at a transmission voltage level and any other upgrades on its transmission system that may be necessary to accommodate the requested transmission service. If the acquisition of additional facilities would impair the tax-exempt status or obligations issued by the provider of transmission service, then a transmission service customer that requests transmission service may be required to pay a contribution in aid of construction (CIAC) to cover all or part of the cost of acquiring or constructing additional facilities.
- (3) If the SGIA between the transmission service customer and the TSP is executed after December 31, 2025, the transmission service customer that is requesting transmission service for a new generation resource is responsible for all costs incurred that exceed the allowance for installing any other interconnection facilities that are designed to operate at a transmission voltage level and any other upgrades

on its transmission system that may be necessary to accommodate the requested transmission service.

(A) The allowance must be calculated as follows:

(i) For a generation resource interconnecting at 138 kilovolts (kV) or less, the allowance beginning on January 1, 2026, is \$12,000,000 in 2023 dollars. For a generation resource interconnecting at a voltage higher than 138-kV, the allowance beginning on January 1, 2026, is \$22,500,000 in 2023 dollars.

(ii) The commission will adjust the allowance prescribed by clause (i) of this subparagraph on January 1 of each calendar year.

(I) This annual adjustment will be proportional to the year-over-year change reflected in the National Income and Product Accounts (NIPA) Seasonally Adjusted Price Index for Private Fixed Investment-Nonresidential Structures for Power and Communication published by the United States Department of Commerce, Bureau of Economic Analysis.

(II) The executive director may designate a substitute index to be used as a reference for adjustments under this clause if the index referenced by subclause (I) of this clause becomes unavailable.

(B) A transmission service customer that seeks to interconnect an energy storage resource is only eligible to receive the allowance described under this subsection and not additional allowances provided to interconnect load.

- (C) A TSP's costs to construct and upgrade transmission facilities that exceed the allowance established under this subsection must be directly assigned to and collected from the transmission service customer that will incur the costs. The TSP may collect such costs as a CIAC prior to procuring and constructing the facilities. For the purpose of calculating the CIAC, the TSP must use the allowance in effect as of January 1 of the calendar year the transmission service customer provides the TSP notice to proceed for constructing and interconnecting the generation resource in accordance with the executed SGIA.
- (D) Notwithstanding any payments made by a transmission service customer seeking interconnection of a generation resource under this section, an interconnecting TSP will at all times retain ownership and control of its transmission facilities.
- (E) In a rate proceeding under PURA Chapter 36, costs incurred by a TSP to interconnect a generation resource that exceed the allowance calculated under this section do not create a presumption that such costs are unreasonable, unnecessary, or imprudent solely on that basis.
- (F) If a transmission service customer interconnecting a generation resource would incur costs for constructing or upgrading transmission facilities in an amount that exceeds the allowance by 10% or more, then it is eligible to receive payment from subsequent transmission service customers that interconnect new generation resources to those transmission facilities. A transmission service customer interconnecting a new generation resource to

transmission facilities constructed within the prior five calendar years using funds provided by another transmission service customer that interconnected a generation resource must pay the transmission service customer that paid for the transmission facilities a percentage of the cost originally incurred to construct and upgrade those transmission facilities, in accordance with the below table.

<u>Number of days from the energization date of the existing generation resource*</u>	<u>Percentage of the costs** owed by the transmission service customer interconnecting a new generation resource</u>
<u>< 365 days</u>	<u>50%</u>
<u>< 730 days</u>	<u>40%</u>
<u>< 1,095 days</u>	<u>30%</u>
<u>< 1,460 days</u>	<u>20%</u>
<u>< 1,825 days</u>	<u>10%</u>

*the existing generation resource owned by the transmission service customer that originally paid for constructing or upgrading transmission facilities

**costs incurred by the transmission service customer that originally paid for constructing or upgrading transmission facilities and exceeded the allowance by 10% or more

(G) For the first ten calendar years beginning from the energization date of the generation resource, the transmission service customer that interconnected

the generation resource is responsible for the cost of any new and upgraded transmission facilities necessary to support modifications made to the generation resource.

(i) As applicable, the transmission service customer may use any remainder of the allowance calculated under this subsection to pay for transmission facility costs described by this subparagraph.

(ii) For purposes of calculating the remainder under clause (i) of this subparagraph:

(I) the amount of the allowance is the amount determined at the time the SGIA was executed between the TSP and the transmission service customer; and

(II) the remainder is the difference between the allowance calculated under this subsection and the actual costs that were incurred for transmission facilities to interconnect the generation resource.

(4) A TSP may require a transmission service customer that seeks to interconnect a generation resource to pay a reasonable deposit or provide another means of security, to cover the costs of planning, licensing, and constructing any new transmission facilities that will be required to provide the requested service. If the generation resource interconnection is completed and begins to take the requested transmission service, the TSP must return the deposit or security to the transmission service customer. If the generation resource interconnection is not completed, the TSP may retain as much of the deposit or security as is required to cover the costs

the TSP incurred in planning, licensing, and constructing new transmission facilities. Any repayment of a cash deposit must include interest at a commercially reasonable rate based on that portion of the deposit being returned.

(ed) **Curtailment of service.** In an emergency situation, as determined by ERCOT and at its direction, TSPs may interrupt transmission service on a non-discriminatory basis, if necessary, to preserve the stability of the transmission network and service to customers. Such curtailments ~~shall~~must be carried out in accordance with §25.200 of this title (relating to Load Shedding, Curtailments, and Redispatch) and in accordance with ERCOT protocols.

(fe) **Filing of contracts.** A TSP must ~~Electric utilities shall~~ file with the commission all new interconnection agreements within 30 days of their execution, including a cover letter explaining any deviations from the SGIA. These interconnection agreements ~~shall~~must be filed for the commission's information. Interconnection agreements are subject to commission review and approval upon request by any party to the agreement. Upon showing a good cause, appropriate portions of the filings required under this subsection may be subject to provisions of confidentiality to protect competitively sensitive commercial or financial information.