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

COMMENTS OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

CenterPoint Energy Houston Electric, LLC ("**CenterPoint Energy**" or the "**Company**") provides these comments in response to Commission Staff's September 25, 2023, request for comments on the questions set forth below. Before getting to the questions, CenterPoint Energy notes that, depending on how the Commission implements the new law, the HB 1500 statutory changes to PURA § 35.004 (mandating the Commission to establish a reasonable allowance for interconnecting generation resources to the ERCOT transmission system) may also necessitate revisions to the Commission's Standard Generation Interconnection Agreement ("SGIA"). The SGIA has been in use since it was adopted by the Commission in 2000 in Project No. 22052 and is required to be used pursuant to Commission Rule 25.195(a).[1] The Commission-approved SGIA only requires a refundable security from a generator seeking interconnection with a TSP for the estimated costs of the TSP's interconnection facilities but otherwise assigns 100% of the actual cost responsibility for the construction of the TSP's interconnection facilities to the TSP itself,[2] and requires the TSP to refund 100% of the security when the generator commences commercial operations.[3] Assigning part of the cost responsibility for the TSP's interconnection facilities to the generator by requiring an allowance cap to be placed on the TSP's cost responsibility and foisting responsibility for all TSP

[1] Commission Rule 25.195(a) provides, "The commission-approved standard generation interconnection agreement (SGIA) for the interconnection of new generating facilities shall be used by power generation companies, exempt wholesale generators, and TSPs."

[2] *Id.* 25.195(c)(1) also states, "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 . . . TSP shall be 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."

[3] *Id.* 25.195(c)(1)(B) also has this requirement.

interconnection costs over the allowance cap onto the generator seems to be a dramatic change to the SGIA's approach and may necessitate the Commission's adoption of a new or revised SGIA for parties to use for generation interconnections in ERCOT.

Question No. 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?

A single standard allowance amount applicable to all TSPs in ERCOT may work if it is set an amount that accounts for the interconnection costs incurred by the TSP with the highest costs based on that TSP's standard interconnection specifications, which are dictated by the external factors beyond its control (such as weather, geology, and the environment) that may be unique to each TSPs location. CenterPoint Energy understands that its interconnection costs may tend to be higher than those of other TSPs due to many factors, including its substation configuration specifications and elevation requirements, higher wind loading requirements, soil characteristics requiring more extensive excavating work, higher equipment ratings, higher property costs due to detention pond requirements, and increased security requirements. CenterPoint Energy believes generation interconnection allowance amounts specific to each TSP in ERCOT, based on the presumption that generation interconnection costs vary substantially among the TSPs, should be set if a single standard allowance amount cannot be set to cover the standard interconnection costs of each TSP due to the cost differences among the TSPs.

In any event, it is in the public interest for a generator's cost responsibility to be the same regardless of the interconnecting TSP. Otherwise, generators will naturally tend to seek interconnections only with the TSPs whose interconnection allowance does not result in the generator having to pay a portion of the TSP's interconnection costs, rather than with the TSPs that are best suited for the generator to more cost effectively meet the demand and optimize the reliability of the ERCOT system.

Alternatively, the Commission may want to follow the standard allowance model that it adopted for the interconnection of a retail customer's load facilities to a TDU's delivery system. The pro forma tariff

provisions adopted by the Commission in its Rule 25.214 contain a standard allowance requirement for the interconnection of retail customers in ERCOT to a TDU's delivery system,[4] but they do not specify either a dollar amount or a formula for that allowance. Rather, the Commission requires the TDUs to define the standard allowance for retail customer interconnections in their individual tariffs for the Commission to approve and to apply that allowance toward the cost of the facilities used by the TDU to establish the interconnection.[5] For CenterPoint Energy, the standard allowance for retail customer interconnections is not capped at a dollar amount nor set by a formula. Instead, it is equal to CenterPoint Energy's actual costs to design, procure, and construct the standard facilities necessary to provide delivery service to the customer. The only TDU costs that are not covered by the retail standard allowance, and for which the retail customer must cover themselves through the payment of a CIAC, are the costs of any non-standard facilities that are requested by the customer or deemed necessary by the TDU for making the interconnection.

Using the standard allowance model currently applied to retail load interconnections for implementing HB 1500's generation interconnection allowance requirement has the additional benefit of not disrupting or requiring any revisions to the twenty-five-year history of using the Commission-approved SGIA and, therefore satisfies HB 1500's requirement that the allowance "take into account . . . historical generation interconnection costs."[6] Under this approach, and consistent with the Commission's historical approach under the SGIA, each TSP's generation interconnection allowance would be capped at that TSP's actual cost to design, procure, and construct the interconnection for a particular generation resource using

[4] *See* Pro-Forma Retail Delivery Tariff ¶¶ 5.7.1-5.7.6.

[5] *See* Pro-Forma Retail Delivery Tariff ¶¶ 5.7.4 and 5.7.5 (allowing a TDU to apply an allowance for the cost of standard interconnection facilities and to require a "contribution in aid of construction" (CIAC) from a customer for the construction of non-standard interconnection facilities) and Chapter 6 of each TDU's Tariff for Retail Delivery Service on file with the Commission (defining the standard allowance as the cost to construct standard facilities and describing what constitutes standard facilities).

[6] PURA § 35.004(d-1)(2).

that TSP's standard transmission interconnection specifications, and each TSP would be responsible for defining what constitutes standard transmission interconnection specifications for itself, based on "good utility practice."[7] A generation resource would have to pay a CIAC only for the TSP's generation interconnection costs, if any, attributable to the use of non-standard interconnection facilities or specifications.

PURA § 35.004's mandate for the Commission to establish a reasonable allowance for interconnecting generation resources to the ERCOT transmission system can be satisfied by adopting the standard allowance approach used for retail load interconnections to generation interconnections. The allowance should cover a TSP's cost to construct the facilities necessary to interconnect a generator to the TSP's system based on the TSP's unique standard design specifications for such interconnections, with allowance limitations placed on the interconnection facilities to be used, rather than simply on the cost of the facilities. For example, the allowance can be defined as covering the cost to construct a standard transmission facility for up to one mile to reach the point of interconnection with the generator's facilities, and any transmission facility construction needed beyond that distance would be borne by the generator. This standard allowance approach has the added benefit of not having to be adjusted in the future to account for changes in cost due to inflation or other causes. The allowance would be based, not on a dollar amount, but on what constitutes a TSP's "standard transmission interconnection facilities," in terms of the types of equipment used, the design specifications adhered to, and the length of the transmission line constructed. The allowance should cover the reasonable and prudent costs for a generation interconnection incurred by a TSP for the construction of the standard transmission interconnection facilities necessary for the interconnection, and the generator should pay the cost for any non-standard transmission interconnection facilities requested or required for the interconnection, including the cost of any required transmission interconnection facilities that extend beyond a standard distance limitation.

[7] *See* Commission Rule 25.5(57).

Question No. 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.

In the event the Commission decides that the generation interconnection allowance should be a specific dollar amount for each TSP—rather than the actual cost amount incurred by the TSP, using good utility practice, for the standard interconnection facilities installed by the TSP for each particular interconnection project (to be consistent with the standard allowance approach approved by the Commission for interconnecting new retail loads)—CenterPoint Energy believes there should be at least four separate allowance amounts specific to each TSP:

(1) A generation interconnection allowance amount for interconnecting a generation resource with an output capacity less than 1,250 MW to the TSP's 138 kV transmission system;

(2) A generation interconnection allowance amount for interconnecting a generation resource with an output capacity equal to or greater 1,250 MW to the TSP's 138 kV transmission system;

(3) A generation interconnection allowance amount for interconnecting a generation resource with an output capacity less than 1,250 MW to the TSP's 345 kV transmission system; and

(4) A generation interconnection allowance amount for interconnecting a generation resource with an output capacity equal to or greater 1,250 MW to the TSP's 345 kV transmission system.

The reason for needing separate allowance amounts for interconnecting a generation resource at 345 kV and at 138 kV is because the design and equipment costs for the former is inherently greater than the design and equipment costs for the latter. The reason for needing separate allowance amounts for interconnecting a generation resource with an output capacity equal to or greater than 1,250 MW and a

generation resource with an output capacity less than 1,250 MW is likewise due to the design and equipment cost differences between them. CenterPoint Energy's transmission system design specifications for generation interconnections strive to limit the amount of generation that could be tripped due to a loss of a double circuit transmission line to, at most, 1,250 MW, which requires the Company to construct at least two separate double circuit transmission lines to interconnect a generation resource at that capacity or greater.

Question No. 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?

See response to Question No. 2.

Question No. 4

What is a fair proportion of costs for consumers to bear related to transmission-level generation interconnections, considering the requirement in PURA § 35.004(d-1)(1) that the interconnection allowance must take into account "the potential to reduce the costs to consumers of generation interconnection," and why?

CenterPoint Energy believes that the interconnection of generation resources to the ERCOT transmission system benefits all ERCOT power consumers by increasing the supply and reducing the costs of the power available in ERCOT. At least until the passage of HB 1500, the Commission believed that it was fair for ERCOT power consumers to bear 100% of the reasonably incurred transmission-level generation interconnection costs. Indeed, the SGIA, which continues to be the mandated interconnection agreement that generators and TSPs must use to establish these interconnections, is intended to do just that. Today, under the SGIA, one hundred percent of the reasonable and prudent costs of a TSP's facilities to interconnect a generation resource become eligible for recovery through the TSP's transmission cost of service once the generation resource achieves commercial operation. Moreover, CenterPoint Energy does not see any potential to reduce generation interconnection costs because of HB 1500 and, therefore, is unable to identify any specific generation interconnection cost reductions that should be taken into account in establishing a generation interconnection allowance. Although generation interconnections

absolutely have the potential to reduce the cost of power to consumers, generation interconnection costs are what they are and tend to increase with inflation and, especially since the Pandemic, because of supply chain shortages and bottlenecks affecting the availability of the equipment needed for the interconnections.

Question No. 5

What factors, if any, other than "historical generation interconnection costs" should the Commission consider in developing and determining an allowance for transmission-level generation interconnections?

In addition to historical generation interconnection costs, other factors that should be considered in determining the amount of a potential generation interconnection allowance include the distance that a TSP must extend its transmission system to interconnect a generation resource at the POI, the cost of land rights that must be acquired by the TSP for the construction, operation, and maintenance of the interconnection facilities, the procurement costs for the equipment and material that are needed for the interconnection, and the cost of labor for the construction of the interconnection facilities. Historical generation interconnection cost information will generally provide information on these costs, but this information may not be indicative of future interconnection costs. If the allowance is set at a dollar amount based on historical cost information, it should allow for periodic adjustments to the allowance to account for changes in cost going forward.

Alternatively, as CenterPoint Energy discusses in response to Question No. 1 above, the generation interconnection allowance should cover one hundred percent of the TSP's reasonable and prudent generation interconnection costs, except that the Commission may, by rule, place restrictions on the ***types*** of costs that a generation interconnection allowance can cover (i.e., the types of costs that may be presumed reasonable and prudent, such as costs to build a transmission facility beyond one mile), and any costs incurred for the interconnection that exceed those restrictions (e.g., for excessive distance or the use of non-standard equipment) would simply not be eligible for the allowance. Instead, the generator would

be responsible for any interconnection costs that would be ineligible for the allowance. This is similar to how the Company's standard allowance for retail load interconnections applies today.

Question No. 6

Should generation or load entities that subsequently interconnect to an existing transmission facility be required to contribute to the cost of that transmission facility that has already been recovered? If so, should some portion of the initial costs paid be refunded to the initial interconnecting generation or load entity, and how should such payments and refunds be determined and processed?

If a TSP's entire cost for a transmission facility used to establish a generation interconnection were covered by the interconnection allowance established by Commission rule in this project (and, therefore, no contribution from the generator was required), then there would be no need to require a subsequently interconnecting generator or load entity who uses that transmission facility to contribute to its cost. That transmission facility would already be in the TSP's transmission rate base. It would be used and useful for providing transmission service, and its cost would be included in the TSP's transmission cost of service rates.

This Question No. 6 is pertinent only if some of the TSP's costs for a transmission facility used to establish a generation interconnection were not covered by the TSP's interconnection allowance, and therefore was paid for directly by the first interconnection generator ("Generator 1") through a CIAC. The question becomes, if Generator 1 pays a CIAC to the TSP for the cost of the transmission facility used to interconnect it, because the cost of the facility was ineligible for the TSP's generation interconnection allowance, (a) should a generator or load customer who subsequently interconnects to that transmission facility be required to contribute the cost of that transmission facility and (b) if so, should the CIAC paid by Generator 1, or some portion of it, be refunded to Generator 1?

CenterPoint Energy disagrees that a generator or load customer who subsequently interconnects to a transmission facility, the cost of which was previously paid for by Generator 1 through a CIAC, should be required to pay another CIAC for some of that cost, or that the any portion of Generator 1's CIAC should be refunded. This same issue was addressed in the Proposal for Decision in Docket No. 49421, where an

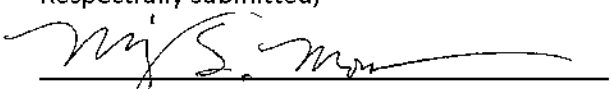
intervenor's request to require a CIAC refund in this type of situation was denied.[8] Requiring a later interconnecting entity to share in those previously sunk costs, and determining the amount to be shared, would be overly complicated and burdensome and will likely lead to disputes that the Commission would have to resolve. The burden and cost of imposing such a requirement outweigh any purported benefits.

Upgrade Costs

Sometimes a new generation interconnection requires a TSP to not only construct new transmission facilities for the interconnection but also to upgrade certain equipment on its existing transmission facilities. On the retail side, for retail load interconnections, the customer pays a CIAC for the costs of any new facilities required for the interconnection that are not covered by the allowance, but the customer is generally not required to pay the costs for any upgrades to existing facilities that are required to accommodate the new load. Upgrades to existing, used and useful facilities on a utility's system that are necessary to accommodate a new interconnecting load also benefit all users of the system, not just the new interconnecting load.

Similarly, a generator should not be required to pay a CIAC toward the costs of upgrades to existing transmission facilities that are necessary to accommodate the new interconnecting generator, if those upgrades benefit all transmission service customers. A CIAC from a generator should be required only for the costs of the new transmission facilities used to interconnect the generator to the transmission system, to the extent those costs do not qualify for the generation interconnection allowance, and should not be required for upgrade costs to the existing transmission system if those upgrades will be beneficial, or used and useful, to all transmission service customers.

Respectfully submitted,



Mickey Moon

[8] *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, Docket No. 49421, Proposal for Decision at 362-63 (Sep. 16, 2019).

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