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TAEBA
Texas Advanced Energy
Business Alliance

PROJECT NO. 58484

EVALUATION OF TRANSMISSION COST RECOVERY	§ § §	PUBLIC UTILITY COMMISSION OF TEXAS

COMMENTS OF TEXAS ADVANCED ENERGY BUSINESS ALLIANCE PROJECT NO. 58484 IN RESPONSE TO COMMISSION STAFF QUESTIONS

Texas Advanced Energy Business Alliance ("TAEBA") hereby submits these comments on the Commission Staff's Memo and questions filed on August 5, 2025, in the above-referenced project. TAEBA includes local and national advanced energy companies seeking to make Texas's energy system secure, clean, reliable, and affordable. Advanced energy technologies include energy efficiency, energy storage, demand response, solar, wind, hydro, nuclear, and electric vehicles. Used together, these technologies and services will create and maintain a higher performing energy system—one that is reliable, resilient, diverse, and cost effective—while also improving the availability and quality of customer facing services. TAEBA's membership also includes advanced energy buyers, representing the interests of large electricity consumers interested in increasing their purchases of advanced energy to meet clean energy and sustainability goals.

General Comments

As a trade association which represents multiple kinds of energy resources, TAEBA cautions the Commission against shifting costs onto generation. While there are risks associated with shifting costs of transmission onto load, risks to burdening generation further also exist.

ERCOT, and by extension Texas broadly, have attracted large investment in generation because of a generator friendly resource interconnection process. ERCOT makes its grid system favorable to generation by ensuring interconnection is comparatively straightforward with other grid systems, while also making permitting processes streamlined. ERCOT has never asked generators to pay for transmission upgrades. Recently, the interconnection cost sharing mechanism was implemented which generators largely view as reasonable.

Requiring interconnection customers to pay for transmission upgrades would change the interconnection process for the worse and delay or dampen capital expenditures for new

generation in Texas. In other organized RTO and ISO markets where generators must pay for transmission upgrades, interconnection queues are much longer, on the order of 5-7 years or more.[1] The costs of those upgrades often force projects to withdraw their interconnection applications. As evidence of this constraint to new generation getting built, for the 2024 DISIS, SPP proposed to change the methodology for allocating costs to generators because of the high withdrawal rate they were experiencing, by introducing a subregional cost allocation model for interconnections.[2]

Additionally, though the Commission's questions are focused on the more tangible cost benefits or drawbacks of a redesign of transmission cost allocation, there are other benefits to consider. The creation of reactive demand through the 4CP cost allocation method also has reliability benefits to the grid system, including for ratepayers. The reactive demand benefits of 4CP ensure that large load customers are incentivized to try and reduce their demand at peak system demand, leading to grid stress relief and potentially preventing low operating reserve scenarios.

TAEBA offers some specific responses to the Commission's questions below.

Answers to Commission Questions

1. *What are the pros and cons of the existing four coincident peak (4CP) retail cost allocation and rate design? In your response, please address impacts to the following:*
   a. *the wholesale market;*
   b. *the retail market;*
   c. *ratepayers generally; and*
   d. *specific customer classes (e.g., residential, small commercial)*

One major issue with removing the 4CP methodology is that it removes an incentive for large loads to be flexible. Lowering transmission cost responsibility for loads is a major incentive for maintaining their flexibility, and without it the incentives to remain flexible are minimal. This shifting incentive also has the potential to impact business development in the state in terms of attracting data centers and other large load customers, though the impact is difficult to quantify.

The biggest potential upside in 4CP modification is creating more "responsive demand", particularly when considering moving to a 6CP, 8CP, or 12CP model. This modification to 4CP may not necessarily incentivize more demand response capable resources to interconnect that

there would be otherwise, but it would increase the response rate of existing flexible loads and new flexible loads interconnecting to the ERCOT grid system.

2. *How have congestion and wholesale market prices been impacted by the 4CP retail cost allocation and rate design?*

TAEBA has no response to this question at this time.

3. *How has 4CP price response affected residential and small commercial customers? Is this quantifiable? If so, how?*

The biggest issue with 4CP price response for residential and retail customers is a lack of functional ability to be reactive to coincident peaks. Since the distribution rate for a customer is determined based on their utility's consumption levels during coincident peak hours and passed on to them directly, there is little effect they can have on their own demand charges for the year. Some ability to affect this could be granted if customers were able to be charged for their demand charges through a REP, but that possibility currently does not exist.
As stated in our general comments, retail customers benefit from the reliability of 4CP response in times of high demand. The benefits of the current model are not strictly financial.

4. *What potential harms to ratepayers might occur if the demand-response signal provided by the status-quo 4CP pricing is diluted?*

TAEBA has no response to this question at this time.

5. *Do the risks of cost-shifting associated with 4CP price response exceed the benefits of cost avoidance or other savings that are associated with 4CP price responses during the months of June, July, August, and September? Please provide all relevant data and analyses.*

TAEBA has no response to this question at this time.

6. *What are the primary drivers of transmission cost incurrence?*
    a. *Are the costs for transmission network upgrades primarily driven by customer load at the time of the transmission system peak load? If not, what share of transmission network upgrades is primarily driven by peak load?*

b. *What portion of non-interconnection transmission costs are primarily driven by customer non-coincident peak demand, or other measures of demand?*
c. *Quantify the absolute and relative magnitudes associated with the various categories of primary transmission cost drivers, including the amounts of transmission costs incurred by category in recent years.*
d. *How stable is the relative relationship between the primary transmission cost drivers over time?*

TAEBA has no response to this question at this time.

7. *What alternative methods to 4CP should the commission consider? In your response, please distinguish between 4CP for wholesale cost recovery and 4CP for retail cost recovery.*

If the Commission determines that it wants to modify 4CP for transmission cost recovery, the most logical way to do that is to utilize a more frequent CP interval, such as 6CP, 8CP, or 12CP. The Commission should avoid using a Non-coincident Peak ("NCP") model. There should be a linkage between cost causation and cost allocation methodology. CP models are the basis for planning transmission systems and therefore should remain the basis for allocating costs. NCP would discourage resources from being price responsive or flexible, by making all transmission charges effectively fixed for all consumers.

8. *At what times is the transmission system most congested, excluding discretionary outages (i.e. planned outages)?*

TAEBA has no response to this question at this time.

9. *Section 6(a)(3) of SB 6 requires the commission to evaluate the portion of the costs related to access to and wholesale service from the transmission system that should be nonbypassable, consistent with Section 35.004(c-1). Does the language regarding "nonbypassable" costs in section 6(a)(3) of SB 6 refer to costs other than the interconnection costs described by new PURA §35.004 (c-1)? If so:*
   a. *What non-interconnection costs are referred to?*
   b. *How is "nonbypassable" to be properly interpreted?*

TAEBA has no response to this question at this time.

10. *What data can transmission and distribution service providers (TDSPs) (or other stakeholders) provide to aid the commission in evaluating the appropriateness of the existing transmission cost recovery methods and alternative transmission cost recovery methods?*

TAEBA has no response to this question at this time.

11. *How have other areas of the country (i.e., other Regional Transmission Operators and Independent System Operators) addressed wholesale transmission cost recovery? Are there lessons to be learned from these other areas?*

TAEBA has no response to this question at this time.

Conclusion

TAEBA thanks the Commission for the opportunity to provide our responses to these questions. We look forward to future engagement opportunities in this project.

Respectfully submitted,

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TEXAS ADVANCED ENERGY BUSINESS ALLIANCE PROJECT NO. 58484 COMMENTS SUMMARY

Summary of TAEBA's recommendations:

- The Commission should not disincentivize passive demand response on the ERCOT system;
- Any modifications to 4CP should be based on a coincident peak model of transmission cost allocation, not a non-coincident peak model;
- The Commission should explore ways to allow for distribution system interconnected resources, particularly retail customers, to benefit from 4CP participation.