**PUC PROJECT NO. 55566**

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

TCPA’s COMMENTS ON PROPOSAL FOR PUBLICATION (PFP)

Texas Competitive Power Advocates (“TCPA”)[[1]](#footnote-1) appreciates the opportunity to provide comments on the PfP issued on November 30, 2023 for implementing the generation interconnection allowance as enacted in House Bill (“HB”) 1500, Section 9, 88th Regular Legislative Session. These comments will address the following components of the proposed rule: the different allowance amounts for different voltage level interconnections, the application of allowance requirements to amendments to a Standard Generator Interconnection Agreement (“SGIA”) as well as to upgrades during the proposed 10-year period, the definition of generation resource, and reporting and monitoring of data. TCPA has no comments or suggested changes for 16 Texas Administration Code (“TAC”) §25.195 (a) – (e) and does not address those portions of the proposed rule.

**Comments on Proposed 16 TAC §25.195 (f)**

TCPA, in addition to a majority of the commenters that participated at the workshop held at the Commission on November 7, 2023, expressed a strong preference to have a single allowance amount that applies to all interconnections regardless of voltage level. Although some of the written comments submitted in advance of the workshop (and before the filing of the historical interconnection data) suggested that differentiating the allowance based on voltage level might be appropriate,[[2]](#footnote-2) discussion at the November 7 workshop from a wide range of commenters, including transmission and distribution utilities (“TDUs”), industrial consumers, and generators of various fuel types, generally indicated agreement that the data submitted by Commission Staff regarding historical interconnection costs did not warrant a bifurcated interconnection allowance based on voltage level.[[3]](#footnote-3) In the historical data, there were several recent interconnections of dispatchable, natural gas-fueled resources that would have exceeded the $12,000,000 proposed allowance for 138 kV interconnections (but still been far below the proposed $22,500,000 allowance for interconnections at higher voltages[[4]](#footnote-4)) even though they required a mile or less of transmission buildout, indicating that amount is not always sufficient to cover interconnections that are prudent in their siting and efficient in their interconnection plan. The substantially higher interconnection allowance of $22,500,000 for transmission voltage above 138 kV thus could create a perverse incentive for interconnecting entities to opt for this higher level, regardless of whether that is needed for their resource and even if the higher voltage would cost relatively more than a lower voltage interconnection, to ensure the project receives the higher interconnection allowance.

A more efficient, transparent, and simple method would be to set one interconnection allowance at an amount between the proposed lower voltage allowance and the proposed higher one. For example, based on the historical data, an interconnection allowance of $18,000,000 (with future adjustments for inflation, as proposed in the published rule) would provide an incentive to interconnect at the transmission voltage most appropriate for the interconnecting resource, encourage efficient siting, and would provide a fair and understood interconnection allowance to all resources regardless of the TDU area or voltage level. Consumers will not be asked to pay for interconnections that are at a higher than necessary voltage level; and resources can work with transmission providers to determine which interconnection option best delivers power effectively and efficiently to the grid without attempting to arbitrage a maximum allowance amount. The proposed increases or decreases that follow in subsection (f) could remain as proposed and be applicable to the single interconnection allowance.

**CLARITY NEEDED ON SGIA AMENDMENTS AND UPGRADES**

First, it is not always clear when an SGIA amendment is needed compared to a new SGIA, particularly for expansions at existing plant sites, and this ambiguity could make it difficult to determine which circumstances trigger the initial application of the allowance following December 31, 2025. For example, a generator that opts to build a new unit at the site of a current resource will be interconnecting a new resource onto the grid, but depending on the agreement between the applicable transmission service provider (“TSP”) and generator, the generator potentially could execute a new SGIA with the TSP for that new unit or alternatively amend the current SGIA for the existing plant at the site. If the original SGIA was executed before December 31, 2025, but the amendment was executed after December 31, 2025, it is not clear whether the allowance would apply to that circumstance, or if the new unit at the existing plant site would be grandfathered based on the original SGIA execution date. For simplicity and to create a clear start point for the application of the allowance requirements, TCPA recommends that the proposed rule be revised to clarify that the December 31, 2025 starting point applies only to new SGIAs that are executed after that date (and not to amendments to existing SGIAs that were executed before December 31, 2025).

Second, the provisions regarding costs incurred for upgrades or new facilities based on modifications within a 10-year period following interconnection appear to place the responsibility for tracking that data with the transmission providers and to require them to maintain such information for the ten calendar years following energization for the initial interconnecting resource. TCPA defers to the transmission providers to opine on the feasibility of such an undertaking.

However, the statute does not require this provision, and it may be a less cumbersome and cleaner alternative to simply remove the provisions contained in 16 TAC §25.195 (f)(3)(E) altogether. If the Commission decides to retain this provision, TCPA recommends that the rule clarify that the allowance cap does not apply to upgrades required to satisfy the Minimum Deliverability Criteria in ERCOT Planning Guide Section 4.1.1.7. That relatively new Planning Guide section requires that ERCOT and each TSP ensure that specified resources achieve deliverability to serve peak system load while meeting certain reliability criteria. Generators should not be required to pay for transmission upgrades that are required to satisfy ERCOT’s Minimum Deliverability Criteria requirement, as opposed to being necessitated by changes made by the generator to its resource.

Below are proposed edits, in red font for clear identification, to the PfP for the sections discussed above (noting that the redlines to subsection (f)(3)(E) are in the alternative to striking):

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

(1) – (2) (no changes)

(3) If the SGIA (excluding an amendment to an existing SGIA) between a generation resource and TSP is executed after December 31, 2025, then the interconnecting generation resource is responsible for all costs of installing interconnection facilities that are incurred by the TSP that exceed the allowance established in accordance with this paragraph. The TSP is responsible for the costs of installing any transmission system upgrades deemed necessary by the TSP and ERCOT that are made concurrently with the installation of the interconnection facilities.

(A) The allowance will be calculated by the commission as follows:

(i) For a generation resource interconnecting at ~~a~~ transmission voltage ~~of 138 kV or less~~, the allowance beginning on January 1, 2026, is based on the 2023 amount of $18~~2~~,000,000 adjusted for subsequent years consistent with clause (ii) of this subparagraph. ~~For a generation resource interconnecting at a transmission voltage higher than 138kV, the allowance beginning on January 1, 2026, is based on the 2023 amount of $22,500,000 adjusted for subsequent years consistent with clause (ii) of this subparagraph.~~

(ii) Beginning on January 1, 2025, the commission will increase or decrease the allowance prescribed by clause (i) of this subparagraph annually on or before January 1 of each calendar year. Annually, no later than September 1, 2024, the commission will publish the new value~~s~~ of the allowance to be used in the subsequent calendar year.

(I) The annual adjustment will be proportional to the change from the corresponding 2023 value 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 generation resource 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, such as may be provided under a tariff.

(C) The amount of the allowance that a generation resource is provided to complete the interconnection is the amount that was in effect on the date the notice to proceed was issued by the generation resource to the TSP in accordance with the executed SGIA. A TSP’s costs to construct, design, and upgrade interconnection facilities that exceed the allowance must be directly billed to and collected from the generation resource that caused the costs to be incurred by the TSP. The TSP may collect such costs as a contribution in aid to construction prior to procuring, designing, and constructing the interconnection facilities.

(D) Notwithstanding any payments made by a generation resource under this section, an interconnecting TSP retains ownership and control of its transmission facilities.

[strike subpart (E) or in the alternative, modify as follows]

(E) The responsibility of costs incurred by a TSP for new or upgraded interconnection facilities due to modifications made by a generation resource will be borne in accordance with this subparagraph; costs for any new or upgraded facilities required to comply with ERCOT Planning Guide requirements (and not incurred due to modifications made by a generation resource) will be borne by the TSP.

(i) For the ten calendar years following the date of energization for the initial interconnection of the generation resource:

(I) To the extent that the costs of the interconnection facilities exceed the remainder of the allowance calculated under paragraph (f)(3) of this section, the current owner of the interconnected generation resource is responsible for the interconnection costs incurred by the TSP, where:

(-a-) the allowance is the amount that was in effect on the date the notice to proceed with the initial interconnection was issued in accordance with the executed SGIA; and

(-b-) the remainder is the difference between the allowance described under subclause (I) of this clause and the actual costs that a TSP incurred to construct, design, and upgrade interconnection facilities to initially interconnect the generation resource.

(II) The current owner of an interconnected generation resource is determined in accordance with the most recently executed SGIA for that generation resource.

(ii) After ten calendar years from the date of energization for the initial interconnection of the generation resource, the TSP is responsible for the costs of new or upgraded interconnection facilities.

**REPORTING OF INTERCONNECTION COSTS**

TCPA applauds the inclusion of 16 TAC §25.195(i) in the PfP and suggests expanding the provision to require the inclusion of interconnection cost data in ERCOT’s monthly Generator Interconnection Status (“GIS”) report. The Commission is required to review the interconnection allowance at least once every five (5) years and may make adjustments to account for inflation or supply chain issues.[[5]](#footnote-5) By adding the cost information to the monthly GIS report, Commission Staff will be able to monitor projected and actual interconnection costs, easily identify outliers, and may open a rulemaking sooner than the five-year requirement should the data provide trends indicating review is warranted sooner. While the proposed language in subsection (i) appears to contemplate a new report, TCPA recommends utilizing the existing GIS and adding the required data to that report.

Below is a proposed edit, in red font for easy identification, to subsection (i) as discussed above:

(i) ERCOT must, in consultation with commission staff, develop protocols to ~~regularly publish a~~ include in the monthly Generator Interconnection Status report ~~that includes~~ the projected and actual generation interconnection costs for each generation resource interconnection.

**DEFINITION OF GENERATION RESOURCE**

TCPA notes that the definition of “generation resource” in the proposed rule uses the phrase “sells *generation* at wholesale” (*emphasis added*). For consistency with other definitions in PURA and Commission rules that define generators as an entity that sells “electricity” (or alternatively, “power” or “electric energy”) at wholesale, TCPA recommends modifying subsection (b)(1) as follows:

(b) **Definitions.** The following terms have the following meanings unless context indicates otherwise.

(1) **Generation resource** -- a transmission service customer that sells ~~generation~~ electricity at wholesale, is interconnected to a TSP’s system at a voltage above 60 kilovolts (kV), and is required to execute a standard generation interconnection agreement (SGIA) under this section.

CONCLUSION

TCPA appreciates the work of Commission Staff to reflect the input received from market participants in the Proposal for Publication as well as the opportunity to provide comments to ensure the efficient implementation of the statute. We look forward to continuing to work with the Commission, Staff and other stakeholders throughout this project.

Dated: January 4, 2024

Respectfully submitted,

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EXECUTIVE SUMMARY OF TCPA COMMENTS

* Set one interconnection allowance for all interconnection voltages of $18,000,000 (with future adjustments for inflation, as proposed in the published rule).
* Clarify that the December 31, 2025 starting point applies only to new SGIAs that are executed after that date (and not to amendments to existing SGIAs that were executed before December 31, 2025)
* Remove the 10-year post-interconnection provisions contained in 16 TAC §25.195 (f)(3)(E) altogether, or if the Commission retains that provision, clarify that the allowance cap does not apply to costs for facility upgrades required to comply with ERCOT Planning Guide requirements.
* Utilize the existing Generation Interconnection Status (“GIS”) report for publishing projected and actual interconnection costs.
* Define “generation resource” consistently with other statutory and Commission rule provisions as an entity that sells “electricity” (rather than “generation”) at wholesale.

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, Luminant (a.k.a. Vistra), NRG, Rockland Capital, Shell Energy North America, Talen Energy, Tenaska, and TexGen Power. WattBridge is filing separate comments. [↑](#footnote-ref-1)
2. *E.g.*, *Generation Interconnection Allowance*,[Project](https://interchange.puc.texas.gov/Documents/55566_23_1337805.PDF) No. 55566, LCRA Transmission Services Corporation’s Response to Questions for Comment at 3 (Oct. 13, 2023); Project No. 55566, Comments of CenterPoint Energy Houston Electric, LLC at 5 (Oct. 13, 2023). [↑](#footnote-ref-2)
3. Project No. 55566, Memo from Staff and accompanying Excel spreadsheet with historical interconnection costs from TSPs (Nov. 2, 2023). [↑](#footnote-ref-3)
4. The costs uplifted to transmission cost of service (“TCOS”) for these facilities (all in CenterPoint’s service territory) ranged from $13.2 million to $16.4 million, and the miles of transmission buildout ranged from 0.2 miles to 1 mile. [↑](#footnote-ref-4)
5. Utilities Code, §35.004 (d-3) [↑](#footnote-ref-5)