**PUC PROJECT NO. 55566**

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

TCPA’s REPLY COMMENTS ON PROPOSAL FOR PUBLICATION (PFP)

Texas Competitive Power Advocates (“TCPA”)[[1]](#footnote-1) appreciates the opportunity to provide reply 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 reply comments will address the following recommendations from other participants’ initial comments filed on January 4, 2024: Office of Public Utility Counsel’s (“OPUC”) recommendation to require generators to pay some portion of costs for all interconnections, Texas Solar Power Association’s (“TSPA”) cost reimbursement proposal for future interconnecting resources, and the proposed concept of a good cause exception contained in Oncor’s comments. For the reasons detailed below, TCPA opposes the recommendations by OPUC and TSPA and supports the recommendation by Oncor.

**OPUC Allowance Proposals**

OPUC proposed the Commission adopt a requirement that generators pay a portion of any interconnection, recommending 25% up to a hard dollar cap then 100% of any cost exceeding that cap and cites the statutory provision in which the allowance must take into account “the potential to reduce the costs to consumers of generation interconnection.”[[2]](#footnote-2) While there could be some merits to further incentivizing financial discipline in the siting decisions of new resources, it falls outside the scope of this legislative implementation rulemaking and would require a much broader review of interconnection policies than is practical prior to the statutory deadline.

The plain language of the statute requires the Commission, in setting a “reasonable” allowance amount, to consider the potential cost savings to consumers but does not require the establishment of a “participant pays” model. OPUC’s proposal to require that the allowance ensure a definitive cost savings for each interconnection by imposing a portion of costs on generators for every interconnection could raise some broader policy questions associated with “participant pays” interconnection cost allocation models that cannot be meaningfully evaluated by the Commission by the statutory deadline (and based solely on OPUC’s proposal and reply comments received).

In the absence of a legislative mandate to require definitive cost savings for each interconnection by imposing a portion of costs on interconnecting generators, the Commission should decline to include OPUC’s proposal in its final rule – and there is no such legislative mandate. The bill analyses throughout the legislative process for Senate Bill (“SB”) 1287 by Sen. King—i.e., the predecessor to and basis for the amendment included in the Senate Committee Substitute for HB 1500 that this project seeks to implement—and the bill analysis for enrolled HB 1500 do not dictate a requirement that every generation resource pay a portion of interconnection costs; instead, all variations of this legislation only require a cost sharing requirement if the interconnection costs exceed the allowance established by the Commission.[[3]](#footnote-3) It is clear that the directive to the Commission is to establish a reasonable allowance and that costs above the allowance amount be borne solely by the generation resource. The statute does not direct that costs within the authorized allowance also be paid in part by generators and in part by transmission service providers (“TSPs”) (and ultimately be borne by consumers). The changes to interconnection cost allocation made by the Legislature, as stated in the various analyses and bill layouts, were designed to encourage siting decisions closer to load that are more efficient and cost-effective and do not require a complete departure from the interconnection planning and cost process that has been in place since restructuring, when the state decided generators would bear the risk of investing in this market and earn revenues only for energy produced. Therefore, TCPA urges the Commission to decline to include the proposed cost sharing recommended by OPUC in its final rule and adopt a single interconnection allowance amount as advocated by TCPA in initial comments as well as many other stakeholder comments on the PfP.

An alternative also proposed by OPUC is to establish a dollar per megawatt ($/MW) allowance. While SB 1287 contemplated a $/MW allowance, primarily based on the interest in accounting for the requirement that the allowance take into account “the reliability impact on the grid of the interconnecting resource and whether the interconnecting resource increased reliability or volatility in managing the grid,”[[4]](#footnote-4) that bill was not ultimately adopted, and the statute the Commission is currently implementing (i.e., HB 1500) does not direct a $/MW allowance to be established. Rather, the directive is to establish “a reasonable allowance.”[[5]](#footnote-5) As evidenced by the historical interconnection data, some resources sited close to load and providing significant reliability to the grid had interconnection costs within the current proposed allowance amount for 345 kV interconnections, but with a relatively high cost per MW.[[6]](#footnote-6) For such resources in the Houston area or near large load centers, a $/MW allowance thus may actually be punitive for much-needed dispatchable resources and provide a disincentive for those investments, even though such resources result in relatively low total interconnection costs.

Further, the historical evidence provided by TSPs did not show any apparent correlation between interconnection costs and resource size, with larger resources sometimes having relatively lower total interconnection costs and lower per MW costs than smaller resources and other times not; thus, it is unclear how establishing a $/MW allowance would accomplish the statutory objective of encouraging more efficient siting decisions as resource size does not appear to be the primary driver for interconnection costs.

There was also some discussion about a $/MW allowance at the November 7, 2023 workshop in this rulemaking project – and the key takeaway was that an absolute dollar allowance regardless of unit size is simpler to implement in the rule. This is in part because moving to a $/MW framework requires the Commission to then evaluate the relative value of a MW from different resources because they have very different reliability attributes: 1 MW of wind generation capacity has a significantly lower reliability value than 1 MW of natural gas generation capacity, for example. Again, working out those details would require significantly more time and deliberation than the statutory deadline in HB 1500 affords and can be had through reply comments alone.

That said, while TCPA urges the Commission to decline to change to a $/MW allowance as OPUC has proposed, if the Commission were to adopt such an allowance, then at a minimum, TCPA urges the Commission to consider the effective load carrying capability of resources when determining the amount of capacity that would qualify in setting the allowance amount. Otherwise, a resource could qualify for a higher allowance based on having a relatively high nameplate capacity even if most of that capacity will never be delivered to load. Such an outcome would not benefit Texas consumers and would depart from the intent of the statute.

**Oncor Good Cause Exception**

Oncor suggested the Commission consider adopting a good cause exception provision as part of this rule.[[7]](#footnote-7) TCPA supports such an addition as an effective tool to ensure companies such as WattBridge[[8]](#footnote-8) have an opportunity to seek an interconnection allowance that fairly and adequately recognizes higher costs in a compact, load-intensive service territory without unduly burdening consumers with a de facto higher allowance for all projects. Thus, TCPA recommends adoption of a single interconnection allowance, regardless of voltage level interconnection, and adding the good cause exception proposed by Oncor to provide resources with unusual but reasonable cost exceedances to demonstrate the need for a higher allowance in those limited cases, providing the Commission with flexibility to address specific circumstances based on the details of the resource, location and reliability needs.

**TSPA Cost Reimbursement for Subsequent Interconnecting Resources**

TSPA advocates a pro-rata share of above allowance costs be charged to subsequent interconnecting resources and be paid to the initial resource that interconnected at a cost above the allowance.[[9]](#footnote-9) In support of the proposal, TSPA cites the Federal Energy Regulatory Commission (FERC) Order Number 2023 and its desire to address concerns in other regions with interconnecting backlogs. ERCOT has not experienced the transmission backlogs that other areas have and does not require FERC approval nor does ERCOT conduct its market in the manner that other regions do. Other regions have long had transmission cost allocation that is shared between consumers and generation resources and markets that make capacity payments for generator availability. Those are significant contrasts to both ERCOT’s transmission planning and cost processes as well as the avenues for generator revenues within this market.

Not only does the statute not contemplate or authorize cost sharing between generation resources, it is wholly outside the legislative implementation scope of this rulemaking: there is no iteration of either SB 1287 or HB 1500 that provided for an initial interconnecting resource to receive payment from subsequent resources to offset its initial interconnection costs.

Furthermore, the proposal is procedurally burdensome and impractical. Regardless of whether payments are made directly from one resource to another or would need to flow through intermediary TSPs, such a provision would be cumbersome for Commission Staff as well as generation resources and TSPs. There would be some requirement for Commission Staff to monitor such circumstances and ensure compliance. Any generation resource seeking interconnection would be required to explore the presence or absence of such agreements and an existing agreement may provide disincentive to interconnect at an efficient point based on another resource’s choice to exceed its own interconnection allowance. TSPs would need complex accounting to determine what of the original interconnection costs are allocable to subsequent interconnecting resources and how to factor those costs into the new interconnecting resource’s own interconnection allowance (and this would only be further complicated if the 10-year upgrade cost allowance holding period from the PfP is retained).

For all of these reasons, subsequent resources should not be required to pay for another resource’s financial decisions. Accordingly, TCPA urges the Commission to reject TSPA’s cost-sharing proposal as outside of the scope of this rulemaking, overly burdensome, and unnecessary to implement the statutory requirements.

CONCLUSION

TCPA appreciates the opportunity to provide these reply comments and looks forward to continuing to work with the Commission, Staff and other stakeholders throughout this project.

Dated: January 18, 2024

Respectfully submitted,

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EXECUTIVE SUMMARY OF TCPA COMMENTS

* The Commission should maintain a narrow scope in this rulemaking to implement and not embellish upon the statutory directives of HB1500. This includes:
  + Decline to include the cost sharing and $/MW allowance format proposals from OPUC
  + Reject the pro-rata cost sharing requirement for subsequent interconnecting resources proposed by TSPA
* The Commission should incorporate the good cause exception proposal from Oncor in the final rule

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, TexGen Power, and WattBridge. [↑](#footnote-ref-1)
2. *Generation Interconnection Allowance*, Project No. 55566, Office of Public Utility Counsel’s Initial Comments on Proposed Amendments To 16 Tac § 25.195 at 2 (January 4, 2024); Public Utility Regulatory Act (PURA) §35.004 (d-1)(1). [↑](#footnote-ref-2)
3. CSSB 1287 Senate Research Center Bill Analysis states “S.B. 1287 seeks to provide for a cap on the amount of capital costs incurred to interconnect generation resources and electric energy storage resources with the ERCOT transmission system that may be socialized and require that any excess costs be borne directly by the applicable generation resource or electric energy storage resource.” Enrolled HB 1500 bill summary states the bill “requires the PUC to establish a reasonable allowance for costs incurred by transmission-owning utilities to interconnect generation resources to the ERCOT transmission system and ***requires that costs in excess of the allowance*** be directly assigned to and collected from the generation resource.” (emphasis added) [↑](#footnote-ref-3)
4. SB 1287, 88th Regular Session, House Research Organization Bill Digest at 2. [↑](#footnote-ref-4)
5. PURA 35.004 (d-1). [↑](#footnote-ref-5)
6. In the historical data posted in Project No. 55666 at Item No. 44, there are gas projects in CenterPoint’s territory that appear to have a per MW cost well over $100k per MW, which is on the higher end of the per MW interconnection costs (though not when viewing the data on a total cost basis). [↑](#footnote-ref-6)
7. *Generation Interconnection Allowance*, Project No. 55566, Oncor Electric Delivery Company LLC's Comments on Proposal for Publication of Amendments to 16 TAC § 25.195 at 5-6 (January 4, 2024) [↑](#footnote-ref-7)
8. *Generation Interconnection Allowance*, Project No. 55566, Wattbridge Comments to Proposed Rulemaking for Transmission Allowance at 2-3 (January 3, 2024) (noting that some of its gas projects in CenterPoint’s territory have interconnection costs up to $22 million, notwithstanding that they involve relatively short interconnections). [↑](#footnote-ref-8)
9. *Generation Interconnection Allowance*, Project No. 55566, TSPA Initial Comments on Proposal for Publication to Amend 16 TAC § 25.195 at 8-10 (January 4, 2024). [↑](#footnote-ref-9)