PROJECT NO. 55566

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

REPLY COMMENTS OF THE TEXAS SOLAR POWER ASSOCIATION ON PROPOSAL FOR PUBLICATION TO AMEND 16 TAC §25.195

The Texas Solar Power Association (TSPA) files these Reply Comments in response to Initial Comments filed by stakeholders on the Proposal for Publication (PFP) adopted by the Public Utility Commission of Texas (PUC or Commission) to amend 16 TAC §25.195.

I. Discussion

Allowance Amounts (Proposed §25.195(f)(3)(A)(i))

Many commenters expressed a preference for the Commission to adopt a single allowance[1] to address concerns about inadequate allowance values for the 138kV and below interconnections, to reduce incentives to interconnect at one voltage over another based on allowance amounts, and to simplify the process. The majority of commenters suggesting a single allowance recommend setting the value of the allowance at $22.5M or above.[2] Although TSPA did not oppose the two-tiered system, we do agree with these commenters that a single allowance set at the proposed $22.5M would be appropriate and would resolve some of the concerns that arise from having two different allowance values. In addition, a single allowance value at $22.5M is supported by the analysis of historical interconnection costs, removes disincentives to invest in more costly regions

[1] *See*, Initial Comments of CenterPoint Energy Houston Electric, LLC (CenterPoint) at 1-2; Apex Clean Energy (Apex) and Cypress Creek Renewables (Cypress Creek) at 5; Solar Energy Industries Association (SEIA) at 2-3; WattBridge Texas, LLC (WattBridge) at 2; Advanced Power Alliance (APA) and American Clean Power Association (ACPA) at 2-3; Texas Competitive Power Advocates (TCPA) at 2-3; Texas Industrial Energy Consumers (TIEC) at 2-3; and the Texas Public Policy Foundation (TPPF) at 1.

[2] CenterPoint at 1-2; Apex and Cypress Creek at 5; SEIA at 2-3; WattBridge at 2; and APA and ACPA at 2-3.

of Texas, and eliminates the funding gap between interconnections at different voltages which could "artificially influence generator siting decisions."[3] As WattBridge noted, setting an inadequate allowance amount could incentivize generators to locate in areas far from where generation is needed the most.[4] The proposed $22.5M will provide adequate funding to facilitate interconnection of needed generation resources while still protecting consumers from outlier costs.

TSPA agrees with CenterPoint that the proposed $12M allowance for interconnections at 138kV and below do not provide an adequate allowance amount for all regions within ERCOT[5] and may disadvantage the coastal regions. TSPA also agrees with Apex and Cypress Creek that the cost frequency distribution for the 138kV interconnections demonstrates that the proposed $12M allowance should be increased.[6] These concerns are echoed by WattBridge, which identified pending projects that are over the proposed allowance.[7] Creation of a single allowance at $22.5M will address the cost disparities among different regions of ERCOT and resolve concerns regarding the adequacy of the allowance for interconnections at 138kV and below while excluding outlier costs from Transmission Cost of Service (TCOS).

A few commenters have suggested a single allowance value lower than the proposed $22.5M.[8] TSPA respectfully disagrees with these recommendations because the suggested lower value would fail to cover many typical interconnection costs and would have the perverse impact of penalizing projects that interconnect at higher voltage or within higher cost areas of the state even where such interconnections are at advantageous locations on the grid to help reduce congestion costs and improve reliability. The methodology for calculating the allowance values

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[3] CenterPoint at 2.
[4] WattBridge at 3, *citing* CenterPoint Energy Houston Electric, LLC, Reply Comments in Response to Staff's Questions (Oct. 25, 2023) at 1.
[5] CenterPoint at 1-2.
[6] Apex and Cypress Creek at 6-7.
[7] WattBridge at 2-3.
[8] *See*, TPPF at 3-4 ($16M); TIEC at 2-3 ($17.5); and TCPA at 2-3 ($18M).

in the PFP uses an extremely conservative threshold of the 85th percentile (excluding the top 15% of costs) rather than using a more traditional 95th or 99th percentile to determine costs within the normal range thereby reducing the proposed generation interconnection allowance by a larger margin. Setting the allowance amount below an already conservative 85% value as suggested by some commenters would go beyond protecting ratepayers from exorbitant or aberrant interconnection costs and instead would be insufficient to cover normal interconnection costs and penalize projects connecting at higher voltage or in higher value zip codes regardless of value to the grid.

If the Commission prefers the PFP's two-tiered allowance approach, then TSPA agrees with Apex, Cypress Creek, and Sierra Club[9] that the Commission should consider increasing the allowance value for interconnections at 138kV and below from $12M to $14M. Apex and Cypress Creek provided analysis that the proposed methodology results in a different cost frequency distribution for 138kV interconnections as compared to the 345kV interconnections.[10] TSPA agrees with Apex and Cypress Creek that increasing the allowance to $14M better reflects the distribution of costs at the lower voltage level and will ensure that the allowance is sufficient to capture these typical costs while still excluding outlier costs.

Annual Inflation Adjustment (Proposed §25.195(f)(3)(A)(ii)(I))

Several commenters suggested that the Commission revise the language in this subsection to reflect that the annual adjustment should be proportional to the change from the prior year's value rather than from 2023.[11] TSPA agrees. The adjustment should reflect the impact of inflation on the allowance value each year in comparison to the prior year. TSPA had recommended

[9] Apex and Cypress Creek at 5-7, and Sierra Club, Lone Star Chapter at 3.
[10] Apex and Cypress Creek at 6-7.
[11] Initial Comments of AEP Texas Inc. (AEP) and Electric Transmission Texas, LLC (ETT) at 3; and Texas-New Mexico Power Company (TNMP) at 2-3.

language to ensure that the allowance be adjusted each year before making the next year's adjustment.[12] In addition, clarifying that this annual adjustment will compare the change in the value from the most recent year to the prior year's value will ensure that this annual adjustment will be more accurate and reflect the yearly incremental change.

Although there is wide-spread support for an annual adjustment to the allowance amount to reflect inflation, TIEC opposes adjusting the value annually based upon an index[13] and suggests updating the value every three years based on historic costs to promote simplicity and predictability. TSPA respectfully disagrees. Even relatively small changes in inflation can have significant impacts on the cost of goods and services and the overall costs of a project. Adjusting the allowance annually will ensure that it reflects these increased costs.

10 Year Provision (Proposed §25.195(f)(3)(E))

Several commenters expressed concern over the ten year provision included in the rule which requires that, for a period of ten years after initial energization, generators fund new or upgraded facilities if the costs of these new or upgraded facilities exceed the remainder, if any, of the initial allowance.[14] TSPA agrees with Apex and Cypress Creek that the ten year limit is not included in the legislation and the proposed language conflicts with the plain language of Section 9, HB 1500 which requires the Commission to establish an reasonable allowance "incurred to interconnect generation resources. . . .".[15] The law does not say that the reasonable allowance is available only once every ten years. We echo CenterPoint's characterization of this provision as "troublesome"[16] noting the lack of any basis supporting such a limit. We thus agree with TCPA's

[12] TSPA at 6.
[13] TIEC at 3.
[14] *See*, CenterPoint at 5; Apex and Cypress Creek at 7-9; Sierra Club at 3; and TCPA at 4.
[15] Apex and Cypress Creek at 7-8.
[16] CenterPoint at 5.

observation that the statute does not require this ten year limit and its suggestion that the provision be removed the provision from the rule.[17] The ten year limit is inconsistent with the statute and appears unduly punitive and misguided in an era when Texas seeks to encourage generation, not deter it. TSPA agrees with commenters that the provision should be deleted. If the Commission decides to retain some time limitation on allowances, that period should be no more than three years as suggested by CenterPoint[18] and TSPA agrees with TCPA that any costs incurred to meet ERCOT's Minimum Deliverability Criteria should be the responsibility of the Transmission Service Providers.[19]

II. Conclusion

TSPA thanks the Commission for consideration of these comments and looks forward to continuing discussions on this important rulemaking.

Respectfully submitted,

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[17] TCPA at 4.
[18] CenterPoint at 5.
[19] TCPA at 4.

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EXECUTIVE SUMMARY

REPLY COMMENTS OF THE TEXAS SOLAR POWER ASSOCIATION (TSPA)

- Although TSPA did not oppose the two-tiered allowance approach, we do agree that a single allowance set at the proposed $22.5M would be appropriate and resolve some of the concerns that arise from having two different allowance values.

- A single allowance value at $22.5M is supported by the analysis of historical interconnection costs, removes disincentives to invest in more costly regions of Texas, and eliminates the funding gap between interconnections at different voltages which could artificially influence generator siting decisions.

- If the Commission prefers creating two separate allowance based on voltage, then TSPA agrees that the Commission should consider increasing the allowance value for interconnections at 138kV and below from $12M to $14M.

- TSPA agrees that the annual adjustment should be proportional to the change from the prior year's value rather than from 2023.

- Even relatively small changes in inflation can have significant impacts on the cost of goods and services and the overall costs of a project. Adjusting the allowance annually will ensure that it reflects these increased costs

- TSPA agrees that the ten year provision is inconsistent with the statute and should be deleted.

- If the Commission decides to retain some time limitation on allowances, that period should be no more than three years and any costs incurred to meet ERCOT's Minimum Deliverability Criteria should be the responsibility of the Transmission Service Providers.