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STATEMENTS OF POLICY

Title 52—PUBLIC UTILITIES

PENNSYLVANIA PUBLIC UTILITY COMMISSION

[52 PA. CODE CH. 69]

Utilization of Storage Resources as Electric Distribution Assets

Public Meeting held
August 24, 2023

Commissioners Present: Gladys Brown Dutrieuille, Chairperson, joint statement follows, Stephen M. DeFrank, Vice Chairperson, joint statement follows; Ralph V. Yanora; Kathryn L. Zerfuss; John F. Coleman, Jr.

Utilization of Storage Resources as Electric Distribution Assets; M-2020-3022877

Proposed Policy Statement Order

By the Commission:

On December 3, 2020, the Pennsylvania Public Utility Commission (Commission) initiated a proceeding to obtain stakeholder comment on the usage of electric storage to enhance reliability and resiliency in the electric distribution grid. With this Order the Commission issues, for comment, a proposed policy statement in Annex A that sets forth proposed guidelines for usage of electricity-storage assets as electric distribution assets in the Commonwealth.

Background

On December 3, 2020, the Commission initiated a proceeding at the above-referenced docket, via Secretarial Letter, related to electric storage to encourage electric distribution companies (EDC) transition toward a future that accommodates evolving needs of customers with increased reliability and resiliency. In the Secretarial Letter, the Commission posed the following questions for the regulated community for comment:

What applications can electric storage provide as a distribution asset for utilities that would facilitate improved reliability and resiliency?

What are the defining characteristics of electric storage used for distribution asset planning as distinguished from generation resources?

What thresholds, if any, would classify electric storage as a generation resource and therefore outside permitted distribution ratemaking and recovery?

Is it prudent for utilities to include electric storage in their distribution resource planning and, if so, where and under what circumstances?

Further, is it appropriate for utilities to include such investments in rate base?

The Commission received initial comments from the following: Advanced Energy Management Alliance (AEMA); Calpine Retail Holdings, LLC (Calpine); Clean Air Council, Sierra Club, Philadelphia Solar Energy Association, POWER Interfaith, and the Union of Concerned Scientists (collectively Clean Energy Advocates (CEA)); Convergent Energy and Power; the Pennsylvania

Department of Environmental Protection (DEP);¹ Duquesne Light Company (Duquesne Light); Energy Association of Pennsylvania (EAP); Edison Electric Institute (EEI); Energy Storage Association (ESA); Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company (collectively FirstEnergy); Monitoring Analytics, LLC (Market Monitor); Natural Resources Defense Council; the Office of Consumer Advocate (OCA); PECO Energy; Pennsylvania Energy Consumer Alliance (PECA), Met-Ed Industrial User Group (MEIUG), Penelec Industrial Customer Alliance (PICA), Philadelphia Area Industrial Energy Users Group (PAIEUG), PP&L Industrial Customer Alliance (PPLICA), West Penn Power Industrial Intervenors (WPPII) (collectively, Large Customer Groups); PJM Power Providers Group (P3); PPL Electric Utilities Corporation (PPL); Retail Energy Supply Associations (RESA); Solar Energy Industries Association (SEIA); and UGI Utilities, Inc.—Electric Division (UGI).

Based upon the initial comments received in response to the Commission's December 3, 2020 Secretarial Letter, the Commission issued a subsequent Secretarial Letter on August 12, 2021, posing several follow-up questions:

1. What are the parameters that would allow for the use of energy storage on the distribution grid? For example, what factors should be used in the consideration of the energy-storage project? Should the energy-storage project meet certain thresholds and demonstrate certain requirements, e.g., demonstration of cost-effectiveness as compared to alternate measures, demonstration of need, required RFPs to solicit potential third-party providers, limitations on project size and scope, etc.

2. What EDCs have undertaken energy-storage initiatives as a pilot program and what were the results and lessons-learned?

3. Under what circumstances is it appropriate to deploy energy storage as compared to traditional infrastructure upgrades?

4. Who should own an energy-storage asset? EDCs, third-party vendors, or some combination of both?

5. What processes should the Commission use to review requests to utilize energy storage as a distribution asset and recover associated costs?

6. What cost recovery mechanisms should be implemented for the ownership and operation of energy-storage assets?

7. What are the appropriate models and limitations necessary to allow energy storage to participate in wholesale power markets?

After requesting further clarification from the interested parties, the Commission received supplemental comments from Calpine; CEA; DEP; Duquesne Light; EAP; EEI; FirstEnergy; Industrial Energy Consumers of Pennsylvania (IECPA); Large Customer Groups; OCA; PECO; P3; PPL; Pennsylvania Utility Law Project (PULP); SEIA; and UGI.

¹ DEP did not directly address the individual questions posed in the Commission's August Secretarial Letter. Instead, DEP's comments focus on support of the Commission's recommendations to explore the viability of utility investment in energy storage as a distribution asset for the purpose of enhancing or maintaining reliability of the electric distribution grid. Additionally, DEP directed the Commission to DEP's published report, Pennsylvania Energy Storage Assessment: Status, Barriers, and Opportunities, which was prepared by DEP's consultant, Stratagen Consulting. DEP Comments at 1.

Discussion

As a preliminary matter, we note that any comments that we do not specifically delineate shall be deemed to have been duly considered and denied without further consideration. The Commission is not required to consider expressly or at length each contention or comment raised by the parties. *Consolidated Rail Corp. v. Pa. Pub. Util. Comm'n*, 625 A.2d 741 (Pa. Cmwlth. 1993); see also, generally, *Univ. of Pa. v. Pa. Pub Util. Comm'n*, 485 A.2d 1217 (Pa. Cmwlth. 1984).

The Commission received comments to each of the seven questions it posed in its August 21, 2021 Secretarial Letter. In addition to receiving responses to these seven questions, some commenters included discussion on topics upon which the Commission did not request comments. Based upon the responses the Commission received from the commenters, the Commission will move forward with an Energy Storage Asset Policy Statement.

A. Definitions

As will be addressed, *infra*, the Commission proposes to establish defined terms that will be used in the Energy Storage Asset Policy Statement. A definitions section is necessary to define terms that are not defined elsewhere in the Public Utility Code, 66 Pa.C.S. §§ 101–3316. Accordingly, the Commission proposes the following definitions.

Energy-storage asset. The Commission proposes to use the definition that the Federal Energy Regulatory Commission (FERC) used in Order No. 841 to define “electric-storage resource,” that is, “a resource capable of receiving electric energy from the grid and storing it for later injection of electric energy back to the grid.” See Order No. 841, 162 FERC ¶ 61,127 at 29.

Non-wires solution. The Commission proposes to use the definition of “non-transmission alternative” or “NTA” from the National Regulatory Research Institution (NRRI) to define “non-wires solutions.”² NRRI describes an NTA as “electric utility system investments and operating practices that can defer or replace the need for specific transmission projects, at lower total resource cost, by reliably reducing transmission congestion at times of maximum demand in specific grid areas.” NRRI Study at iv. NRRI also describes an NTA as “any combination of equipment and operating practices that is capable of deferring or replacing the need for a specific electric power transmission project, by reliably alleviating transmission congestion in a specific area.” NRRI Study at 1. NRRI uses the term “non-transmission alternatives,” but since commenters here used the term “non-wires solutions,” we will use the term “non-wires solution.”

B. Electricity-Storage as a Distribution System Asset

The Commission proposes adding a section that establishes a policy for when an electricity-storage asset should be considered a distribution system asset. As noted above, in its December 3, 2020 Secretarial Letter, the Commission posed a series of questions to identify what areas, if any, could benefit from electricity-storage on the distribution grid and to understand what issues or concerns may occur as a result of the deployment of electricity-storage on the distribution grid.

Commenters provided a variety of nuanced responses that ranged from describing how an electricity-storage asset can improve resiliency and reliability, to proposing

alternate frameworks for assessing the cost-effectiveness of the storage asset. The comments and recommendations from the various parties are summarized as they relate to electricity-storage deployed as a distribution system asset.

In defining the scope of “electricity-storage for distribution purposes”, FirstEnergy proposes that the Commission should generally allow for the use of electricity-storage to support distribution grid reliability and resiliency, provide voltage support and volt-amps reactive (VAR) control, and manage short-term peak line or system loading or other distribution system constraints arising from electric vehicle (EV) adoption and other electrification. FirstEnergy stresses that regardless of the reason for electricity-storage use, the optimal amount and placement of electricity-storage will be dependent on the unique needs of each EDC and the details of the EDC’s current and projected system needs. FirstEnergy Supplemental Comments at 6, 8.

FirstEnergy contends that for distribution use cases, while electricity-storage may not be the most cost-effective solution in every case, it should be considered and evaluated in the EDC’s processes along with evaluating other factors that would ultimately lead to a traditional wires solution. FirstEnergy Supplemental Comments at 11.

FirstEnergy, PPL, and UGI enumerate some use cases including:

1. Options for addressing general load growth or a derating of an existing asset (such as a substation transformer) in an area that is transmission or sub-transmission constrained.
2. Options to provide capacity for areas that are a long distance from an existing transmission or sub-transmission lines.
3. Providing capacity relief for areas with high seasonal peak loads such as an island with a high summer peak and almost no load during the off season.
4. Providing a supplemental energy source and tie point to support a distribution circuit as opposed to constructing a new circuit.
5. Deployment in conjunction with distribution automation schemes where the electricity-storage system could be used and for voltage regulation or phase balancing to extend load transfers and restore a greater number of customers more rapidly.
6. Voltage Support for distributed energy resources (DERs) where an energy-storage system could provide voltage support for a distribution circuit that has a high penetration of inverter-based DERs which may have voltage fluctuations which are abrupt and intermittent, such as a reduction in kilowatt output due to a cloud passing over solar installations.
7. Use of emergency Demand Response to prevent emergency or temporary overloads on the distribution system and potentially avoid or defer costly system upgrades or keep customers in power during emergency conditions.
8. Reliability and restoration support where EDCs could use electricity-storage for reliability purposes where traditional alternatives would be less than ideal and/or cost prohibitive.

FirstEnergy Supplemental Comments at 11, PPL Supplemental Comments at 5-6, and UGI Supplemental Comments at 11-12.

² See Getting the Signals Straight: Modeling, Planning, and Implementing Non-Transmission Alternative Study, February 2015 (NRRI Study): <https://pubs.naruc.org/pub.cfm?id=536EF440-2354-D714-51CE-C1F37F9B3530>.

EDCs generally agreed that, given the rapid evolution of technology, the Commission should not impose limits or parameters on electricity-storage systems and that such projects should be reviewed on a case-by-case basis. PPL believes that the Commission should generally defer to the expertise and experience of the EDCs to determine the parameters on how the electricity-storage systems are used and that classification of electricity-storage systems as distribution, generation, or transmission is a fact-intensive inquiry that should be resolved on a case-by-case basis and take into consideration the location and use of the systems. PPL Comments at 2. However, PPL and FirstEnergy note that if the electricity-storage system is used by an EDC to solve distribution problems, provide benefits to distribution customers, and support the provision of safe and reliable service at a prudent and reasonable cost, then it should be considered a distribution asset. PPL Comments at 6 and FirstEnergy Comments at 5.

Furthermore, PPL and FirstEnergy assert that they bear responsibility for the safety of their workers and the safe and reliable operation of the distribution system on behalf of their customers and the public. PPL believes that EDCs should be required to comply with all industry safety standards for electricity-storage, including any American National Standards Institute (ANSI) and fire-protection requirements, when deploying and utilizing energy-storage systems. PPL Comments at 3 and FirstEnergy Comments at 5.

UGI asserts that EDCs are best suited to determine the appropriate methods and manners for integrating batteries into their systems to address reliability hazards, reduce distribution-system costs and enhance the customer experience. UGI Comments at 3. EAP contends that such parameters are better addressed in the context of a particular project rather than in a generic policy proceeding and asserts that providing guidance and not prescriptive rules or requirements is appropriate and lawful, and that such an approach is particularly warranted here when dealing with an evolving technology that can address a number of challenges faced by EDCs as they seek to modernize and invest in the distribution grid to accommodate customer needs for increased reliability and resiliency. EAP Comments at 5.

By contrast, SEIA, IECPA, and P3 argue that in a restructured market like the Commonwealth, additional parameters must be established to allow for the use of electricity-storage on the distribution grid if an electricity-storage asset is owned by a public utility. These commenters assert that when energy, capacity, or other ancillary resources are sold into competitive markets by EDCs, they are in direct competition with independently owned energy resources, that is, fundamentally in the realm of generation related to the bulk power system. In addition, these solutions are best provided by customers behind-the-meter. SEIA Comments 5-6, IECPA Comments at 2-3 and P3 Comments at 3.

Duquesne Light submits that the Commission should recognize that the value of electricity-storage lies in its versatility. Duquesne Light, EAP, and PECO believe that adhering to strict limitations and cost tests will artificially constrain the deployment of electricity-storage and that the Commission should exercise care to not unintentionally restrict the potential use cases for storage by establishing narrow thresholds and limits. Duquesne Light further contends that the principal limitation that should be placed on electricity-storage is its primary purpose and that the Commission should avoid narrowly

defining what types of distribution services electricity-storage can provide. Duquesne Light Comments at 6, EAP Comments at 9 and PECO Comments at 6-7. When considering parameters that would enable utility use of electricity-storage on the distribution grid, PECO recommends that the Commission prioritize electricity-storage applications that have the potential to further enhance system reliability and provide other benefits. PECO Comments at 3.

C. Cost effectiveness

Duquesne Light agrees with other commenters that electricity-storage as a distribution asset must be cost effective but asserts that it is important to distinguish between “cost” and “value.” A simple cost-benefit test, like the Total Resource Cost (TRC) test³ used in the implementation of Act 129⁴, should be avoided. Duquesne Light asserts that to adequately assess the value of storage it should be compared to the cost and value of a more traditional alternative. Duquesne Light goes on to enumerate examples of the value of storage that could be missed by applying the TRC, such as resiliency, enabling clean energy, time, reduced disruption to the community, reduced need to access private property for infrastructure, reduced environmental disruption, improved aesthetics, and equity. In support of utilizing electricity-storage as a distribution asset, Duquesne Light points to the Implementation Order for Phase I of Pennsylvania’s Energy Efficiency and Conservation Program⁵, which permitted public utilities to select the option that provides the greatest value to customers. Duquesne Light Supplemental Comments at 7-8.

PECO discourages the Commission from evaluating energy-storage projects to support distribution operations based strictly on a benefit-cost analysis (BCA). PECO asserts that public utility pilot projects would provide valuable insight on how to access multiple electricity-storage value streams and help to quantify what the likely benefits will be. PECO also asserts that application of a rigid cost-effectiveness requirement could limit the opportunity for demonstration projects and pilots that involve uncertain revenues or costs. PECO Comments at 3–5.

SEIA proposes that EDCs be required to compare the costs and benefits of a cost-of-service, rate based proposed energy-storage project with that of a private developer’s project. SEIA posits that this approach would best serve the interests of ratepayers, effectively ensuring that EDCs weigh the pros and cons of utility ownership of storage as a distribution asset against the pros and cons of contracting with third-party developers who may offer a more cost-effective storage solution or who may own and operate a portfolio of behind-the-meter energy-storage resources—either commercial and industrial (C&I) or residential—and synchronize them as a larger, unified and flexible resource to meet the utility’s distribution needs. SEIA Comments at 16.

In contrast to other commenters, the Large Customer Groups contend that EDCs should only adopt battery energy-storage system (BESS) projects where the benefits of such projects exceed their costs. They assert that, currently, conventional distribution system infra-

³ We note that the current Commonwealth TRC Test order is addressed in 2021 Total Resource Cost (TRC) Test, Docket No. M-20219-3006868 (Ordered entered on 12/19/2019). <https://www.Commission.pa.gov/docket/M-2019-3006868>.

⁴ We further note that Act 129 of 2008, 66 Pa.C.S. § 2806.1 (relating to energy efficiency and conservation program), directs the Commission to analyze the benefits and costs of the energy efficiency and conservation (EE&C) plans that certain EDCs are required to file.

⁵ Energy Efficiency and Conservation Program, Docket No. M-2008-2069887 (Implementation Order entered January 16, 2009).

structure upgrades remain the least expensive solution to resolve most reliability and resiliency issues along the distribution grid. However, when a BESS project is less expensive than a conventional solution, or the EDC can demonstrate that the benefits of the BESS project would outweigh the costs, then it would be reasonable for the EDC to consider adoption of the BESS project. Large Customer Groups Comments at 2-3.

OCA notes that there is also the question of cost effectiveness of any storage project and whether a definitive showing must be made to establish a certain level of costs versus benefits. Electricity-storage is just one possible solution to distribution system upgrade concerns and the costs and benefits of any project should be adequately weighed against more traditional infrastructure upgrades. OCA Comments at 4-5.

Disposition

A. Definitions

The Commission proposes to define “energy storage asset” as “a resource capable of receiving electric energy from the grid and storing it for later injection of electric energy back to the grid.” The Commission proposes to define “no-wires solution” as “an EDC investment and operating practice that can defer or replace the need for specific transmission and/or distribution projects, at lower total resource cost, by reliably reducing transmission congestion or distribution system constraints at times of maximum demand in specific grid areas.” As proposed, this term would have the same meaning as “non-transmission alternative,” which is the term used by NRRI.

B. Electricity-Storage as a Distribution System Asset

Commenters stated that it is impossible to list all the cases where electricity-storage may be appropriate compared to traditional investments but suggested some examples, including voltage support for DERs, and emergency-demand response, reliability/restoration support. Nearly all commenters agreed that the Commission should avoid narrow definitions of electricity-storage and that every project that may be suitable for electricity-storage should be assessed and reviewed on its individual merits. These same commenters agree that electricity-storage should be considered as another tool for EDCs to use to solve an issue. The Commission agrees with these comments, and views electricity-storage as another tool for EDCs to use to solve electric distribution system problems.

The Commission further agrees with commenters that EDCs’ primary goal should be the safe, reliable delivery of electricity to customers and that EDCs’ usage of electricity-storage should meet this goal. EDCs are uniquely positioned to best ensure that the distribution grid is properly managed, and the Commission sees no reason to prohibit the EDCs from utilizing electricity-storage systems to continue to solve electric distribution system problems and provide grid resiliency.

With respect to comments suggesting the use of pilot programs, the Commission agrees that pilot programs can provide valuable lessons. However, we are concerned that a focus predicated solely or predominantly on pilot-program outcomes would unnecessarily delay the deployment and utilization of electricity-storage as an electric distribution-grid asset in Pennsylvania. However, it is important to note that two Commonwealth-specific systems were discussed by commenters—UGI’s Ruckle Hill

Road Distribution Circuit⁶ and PPL’s battery in Harrisburg.⁷ Both provided valuable lessons on electricity-storage.

The Commission approved a pilot storage project by UGI, using a small-scale, 1.25 MWh battery-storage system that was proposed as a targeted means to enhance resiliency and improve reliability on a worst performing distribution circuit located in Wapwallopen, Pennsylvania, known as the Ruckle Hill Road distribution circuit. Calpine Comments at 3. In determining that the battery solution was the preferable approach to address the ongoing outage concerns, UGI compared the use of a battery solution to other traditional infrastructure solutions. Compared with these solutions, which range from \$3.0 million to \$5.1 million, the \$1.5 million cost of the battery presented the lowest cost solution to address the performance issues on the identified worst performing distribution circuit. UGI asserts that its rate case shows that battery solutions can and should be considered and assessed in the same way other infrastructure and reliability solutions are considered. UGI Comments at 9, 10.

While UGI has not yet implemented the battery-storage project, a review of the historic-outage conditions on the distribution circuit provides an idea of the impact the battery may have on reliability. Looking at recent outage data, UGI determined that if the battery had been installed it would have covered the entire outage for 22 of the 26 outages experienced on the distribution circuit between 2016 and 2020. Further, of the remaining four outages, there was only one outage where the battery would not have covered most of the outage minutes. For that one outage, the battery would have covered 54.46% of the outage duration for all impacted customers. If the battery performs as expected, it will have a significant impact on the reliability of service for the customers served off this distribution circuit. Id. Calpine believes these steps are prudent and illustrate a reasonable and cautious approach to the use of battery storage facilities by incumbent utilities. However, Calpine believes there is no basis at this point to launch a largescale series of projects when the first pilot is only getting underway and when the lessons learned from this first pilot are still more than a year away. Calpine Comments at 3.

PPL installed a 50-kilowatt (kW) battery in the Harrisburg area in 2018 and has learned several lessons from deploying and using that energy-storage system on its distribution system, including: (1) how to maintain public safety and the distribution system’s integrity; (2) how to communicate with the battery using its Advanced Distribution Management System (ADMS); (3) how to safely isolate PPL’s distribution system from the “intentional island” PPL created when using the battery to restore customers during an outage; and (4) how to protect the distribution system and the public if a fault were to occur on the “intentional island.” PPL worked with local fire departments to increase their knowledge and training in the event they are required to respond to a fire at the Harrisburg battery. PPL believes that EDCs are in the best position to work with state and local municipalities to address concerns and share knowledge on energy-storage systems. PPL’s experience with deploying and utilizing the 50-kW battery is very valuable and will enable PPL to deploy and utilize additional energy-storage systems in a safe and effective manner. PPL Comments at 4.

⁶ UGI Comments at 8-9; Large Customer Group Comments at 4-5; Calpine Comments at 3; EAP Comments at 7-8; and PECO Comments at 5.

⁷ PPL Comments at 4; and EAP Comments at 7-8.

Some commenters expressed that behind-the-meter (BTM) electricity-storage should be provided by customers or third-party vendors. However, the purview of this proceeding is electricity-storage on the distribution grid for the purposes of reliability and resiliency. Thus, we are not considering BTM storage in this context and will not address it in this proceeding. Regarding cost effectiveness, the Commission declines to adopt a specific cost-effectiveness test or methodology in this proceeding. EDCs may consider using electricity-storage and would need to justify the costs like any other traditional infrastructure upgrade.

Conclusion

The Commission is proposing this policy statement in accordance with its authority under Sections 501, 504, 505, 506, and 2806.1 of the Public Utility Code, 66 Pa.C.S. §§ 501, 504, 505, 506, and 2806.1. Based on the foregoing discussion, we will propose this Policy Statement regarding Energy-Storage Assets as set forth in Annex A; *Therefore,*

It Is Ordered:

1. That the proposed Energy Storage Asset Policy Statement set forth in Annex A is issued for comment.
2. That the Law Bureau shall submit this Order and Annex A to the Governor's Budget Office for review of fiscal impact.
3. That, upon receipt of a fiscal note from the Governor's Budget Office, the Secretary shall certify this Order and Annex A and the Law Bureau shall deposit them with the Legislative Reference Bureau for publication in the *Pennsylvania Bulletin*.
4. That interested parties shall have 30 days from the date of publication of this Order and Annex A setting forth the proposed policy statement in the *Pennsylvania Bulletin* to file comments with the Secretary.
5. That interested parties shall have 45 days from the date of publication of this Order and Annex A setting forth the proposed policy statement in the *Pennsylvania Bulletin* to file reply comments with the Secretary.
6. Interested persons are encouraged to eFile comments through the Commission's eFiling System. You may set up a free eFiling account with the Commission at <https://efiling.Commission.pa.gov/> if you do not have one. Filing instructions may be found on the Commission's website at http://www.Commission.pa.gov/filing_resources.aspx. Certain items such as confidential or proprietary material cannot be eFiled. If you do not eFile, then you are required to mail, preferable by overnight delivery, one original filing, signed and dated, with the Commission's Secretary at: Pennsylvania Public Utility Commission, Commonwealth Keystone Building 2nd Floor, 400 North Street, Harrisburg, PA 17120. Comments must reference Docket No. M-2020-3022877. All pages of filed comments, with the exception of a cover letter, must be numbered. All comments will be posted comments on the Public Utility Commission website.
7. That a copy of this Order and Annex A be filed at Docket No. M-2020-3022877 and be served upon all jurisdictional electric distribution companies, the Office of Consumer Advocate, the Office of Small Business Advocate, the Commission's Bureau of Investigation and Enforcement, the Pennsylvania Department of Environmental Protection, the Department of Community and Economic Development and all parties who filed comments in this docket.

8. The contact person for technical issues related to this proposed policy statement is David Edinger, Energy and Conservation Analyst, (717)-787-3512 or dedinger@pa.gov. The contact persons for legal issues are Joseph P. Cardinale, Jr., Assistant Counsel, (717)-787-5558 or jcardinale@pa.gov; and Tiffany L. Tran, Assistant Counsel, (717)-783-5413 or tiftran@pa.gov. The contact person for regulatory issues is Karen Thorne, Regulatory Review Assistant, (717) 772-4597 or kathorne@pa.gov.

ROSEMARY CHIAVETTA,
Secretary

ORDER ADOPTED: August 24, 2023

ORDER ENTERED: August 24, 2023

Fiscal Note: 57-342. No fiscal impact; recommends adoption.

**Joint Statement of Chairperson Gladys Brown
Dutrieuille and Vice Chairperson
Stephen M. DeFrank**

Before the Commission is the Proposed Policy Statement Order (Proposed Policy Statement) regarding the utilization of storage resources as electric distribution assets. Today the Commission considers issuance of this Proposed Policy Statement for comments from the electric utility industry and interested stakeholders.

Continued advancement in energy storage technology, namely batteries, has led it to become both a viable generation resource as well as a newly viable non-wires alternative for transmission and distribution planning. Because of this, the Commission commenced this very proceeding to provide electric distribution companies (EDCs) regulatory clarity on the Commission's stance regarding the use of storage in distribution system planning and management.

Electricity distribution systems are changing quickly. Distributed energy resources are interconnecting at an almost exponential pace. Electric vehicle adoption continues accelerating. Data centers are establishing themselves in various EDC territories, demanding remarkable amounts of electrical power. These factors, among others, have significantly altered the dynamics of managing the distribution grid. It is apparent that energy storage may offer EDCs a tool to better manage these new dynamics. Energy storage can provide grid stability through services such as peak demand shifting, supplemental power, restoration, and voltage support.

Therefore, we are pleased to take this next step in encouraging EDCs to utilize cost effective energy storage as a distribution resource. We look forward to reviewing stakeholder comments on this Proposed Policy Statement.

DATE: August 24, 2023

GLADYS BROWN DUTRIEUILLE,
Chairperson

STEPHEN M. DeFRANK,
Vice Chairperson

Annex A

**TITLE 52. PUBLIC UTILITIES
PART I. PUBLIC UTILITY COMMISSION
Subpart C. FIXED SERVICE UTILITIES
CHAPTER 69. GENERAL ORDERS, POLICY
STATEMENTS AND GUIDELINES ON FIXED
UTILITIES**

(Editor's Note: The following sections are proposed to be added and are printed in regular type to enhance

readability. The numbering will be assigned prior to publication as a final-form statement of policy.)

ENERGY STORAGE ASSET POLICY STATEMENT

§ 69.XXX1. Definitions.

The following words and terms, when used in this section and § 69.XXX2 have the following meanings, unless the context clearly indicates otherwise:

EDC—Electric distribution company—The term has the same meaning as defined in 66 Pa.C.S. § 2803 (relating to definitions).

Electricity-storage asset—A resource capable of receiving electric energy from the grid and storing it for later injection of electricity back to the grid.

Non-wires solution—An EDC investment and operating practice that can defer or replace the need for specific transmission and/or distribution projects, at lower total resource cost, by reliably reducing transmission congestion or distribution system constraints at times of maximum demand in specific grid areas. This term is synony-

mous with “non-transmission alternative” or “NTA” which is the term used by the National Regulatory Research Institution.

§ 69.XXX2. Electricity-storage as a distribution system asset.

The Commission acknowledges that electricity-storage assets can assist in various engineered reliability solutions. As such, the Commission recognizes that electricity-storage assets can be used by EDCs to maintain or to increase the reliability or the resilience of the electric distribution system. The Commission encourages the consideration of these assets when cost effective and proper, specifically as an alternative non-wires solution. The Commission encourages EDCs to consider electricity-storage assets as part of their system planning.

[Pa.B. Doc. No. 23-1286. Filed for public inspection September 22, 2023, 9:00 a.m.]