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October 23, 2023

Rosemary Chiavetta, Esq., Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, Pennsylvania 17120

Re: Utilization of Storage Assets as Electric Distribution Assets, Docket M-2020-3022877

Dear Secretary Chiavetta:

Enclosed for filing at the above-referenced docket, please find the comments of the Energy Association of Pennsylvania.

Sincerely,

A handwritten signature in blue ink that reads "Donna M.J. Clark".

Donna M.J. Clark
Vice President & General Counsel

Enclosure

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Utilization of Storage Assets as Electric
Distribution Assets

:

M-2020-3022877

**COMMENTS OF THE
ENERGY ASSOCIATION OF PENNSYLVANIA TO THE PROPOSED POLICY
STATEMENT ORDER**

I. INTRODUCTION

The Pennsylvania Public Utility Commission (“Commission” or “PUC”) initiated the current proceeding to obtain input on the usage of electric storage to enhance reliability and resiliency on the electric distribution grid on December 3, 2020 with the issuance of a Secretarial Letter (“December Secretarial Letter”). The December Secretarial Letter sought comments to several specific questions involving electric storage resources and their utilization by electric distribution companies (“EDCs”) as distribution assets to accommodate the evolving needs of customers for increased reliability and resiliency. Comments were filed by numerous stakeholders, including the Energy Association of Pennsylvania (“EAP”) ¹ and EDC members².

¹ EAP’s comments to the December Secretarial Letter supported the Commission’s inquiry into the use of storage assets as distribution assets; supported ownership of storage resources by EDCs as well as third-parties; supported flexibility and utility involvement in the integration of storage resources on the distribution system to ensure safety, visibility, and control at the time of interconnection and throughout the operable life of the resource; and supported fair and timely cost recovery of utility investment in storage resources while ensuring retail ratemaking that avoids cost-shifting among customers where the resource is owned by a third party. *See*, Comments of the Energy Association of Pennsylvania in Response to Secretarial Letter Dated December 3, 2020, Dckt. No. M-2020-3022877 (February 18, 2021) at pp. 7-8.

² EAP is trade association with EDC members including Citizens’ Electric Company; Duquesne Light Company; Metropolitan Edison Company; PECO Energy Company; Pennsylvania Electric Company; Pennsylvania Power Company; Pike County Light & Power Company; PPL Electric Utilities Corporation; UGI Utilities, Inc. - Electric Division; Wellsboro Electric Company; and West Penn Power Company.

Following consideration of the comments filed to its December Secretarial Letter, the Commission issued a second Secretarial Letter on August 12, 2021 seeking responses to a second set of questions (August Secretarial Letter). The August Secretarial Letter sought additional “information from utilities and other stakeholders to clarify under what circumstance energy storage would be considered a distribution asset.” August Secretarial Letter at p. 2. Commentators again included EAP³ and several of its EDC members⁴. Based on those comments, the Commission issued the instant Proposed Energy Storage Asset Policy Statement Order (“Proposed Policy Statement Order”) for consideration by stakeholders. The Proposed Policy Statement Order was published in the *Pennsylvania Bulletin* on September 23, 2023, comments are due in thirty (30) days on October 23 with reply comments due on November 7, 2023.

EAP appreciates the process employed by the Commission to develop a policy which encourages EDCs to consider the use of energy storage resources as distribution assets to provide engineered solutions to maintain and improve system reliability and/or resiliency. EAP submits these comments on behalf of its EDC members, *see* fn. 2, noting that its individual EDC members may choose to file company specific comments to the Proposed Policy Statement Order which are to be read in concert with these general industry comments.

³ EAP’s comments to the August Secretarial Letter stressed the need for a flexible, non-prescriptive policy statement that encourages consideration of energy storage alongside traditional solutions for distribution concerns; that allows implementation of projects designed to meet the unique needs of an EDC’s system in terms of configuration and control, location, and size; that refrains from creating specific thresholds or limitations prior to consideration of a storage solution and refrains from imposing a blanket requirement to solicit third-party providers for every proposed project; that does not prescribe a particular cost-effectiveness test or methodology; and that looks to traditional cost-recovery proceedings, i.e. a base rate case or a DSIC mechanism, as a means to recover reasonable and prudent costs subject to the Commission’s ratemaking principles and cost recovery rules. *See*, Comments of the Energy Association of Pennsylvania in Response to Secretarial Letter Dated August 12, 2021 at pp. 4-7.

⁴ *See*, individual Comments filed to August Secretarial Letter by Duquesne Light Company, FirstEnergy (Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company), PPL Electric Utilities Corporation, PECO Energy Company, and UGI Utilities, Inc. – Electric Division at Docket No. M-2020-3022877.

II. COMMENTS

EAP and its EDC members welcome the Commission's decision to pursue a policy statement upholding the use of electricity-storage assets as distribution system assets. Proposed Policy Statement Order at p. 5. As stated in the Proposed Policy Statement Order, the Commission "views electricity-storage as another tool for EDCs to use to solve electric distribution system problems." *Id.* at p. 12. EAP and its EDC members agree with this perspective which enables a flexible approach to the development and deployment of storage solutions aimed at enhancing distribution system reliability and resiliency in Pennsylvania. EAP believes that an approach which views electricity-storage as a tool implies recognition of the multiple purposes that energy storage can support, including the integration of renewable energy resources onto the distribution grid, and values the potential of future advancement in storage technology.

EAP and its members also appreciate that the Commission sought to avoid a policy statement with prescriptive guidance, i.e., one which dictates the use of pilots or third-party involvement or requires a particular cost-effective test/methodology to justify cost recovery for energy storage assets. Prior EAP comments in this proceeding contended that overly detailed requirements would discourage innovation and hinder an EDC's ability to test, evaluate and deploy storage resources that enhance reliability/resiliency, support grid services, and work together with the utility distribution system. The Proposed Policy Statement Order states that the policy is not predicated on future pilots; provides that "EDCs are uniquely positioned to best ensure that the distribution grid is properly managed"; and "declines to adopt a specific cost-effectiveness test or methodology in this proceeding." Proposed Policy Statement Order at pp. 12 and 14.

EAP believes that the language of the proposed policy statement itself, however, can be modified to more accurately align the wording with the Commission's intent as set forth in the

Proposed Policy Statement Order. EAP and its member EDCs seek clarification and provide the following modifications for consideration and inclusion in any final Energy Storage Asset Policy Statement approved by the Commission.

A. Proposed Modifications to § 69.XXX1. Definitions

EAP does not offer any changes to the proposed definition of “electricity-storage asset” set forth in the Proposed Policy Statement Order.

Initially, with respect to the definition of “non-wires solution,” EAP suggests modifications below to recognize the multiple uses for electricity storage assets to improve reliability and resiliency overall. EAP is concerned that the definition of “non-wires solution” as proposed could restrict the use of storage to situations involving only “transmission congestion” or “distribution system constraints.” For example, EAP envisions the use of non-wires solutions involving electricity storage to support the integration of both distributed energy resources and renewable energy resources on the grid at present and in the future as the technology advances. Language which could be read to limit the use of non-wires solutions before the actual consideration of an EDC proposed project runs counter to the Commission’s intent as expressed in the Proposed Policy Statement Order.

The Commission noted that “[n]early all commentators 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 commentators agree that electricity-storage should be considered as another tool for EDCs to use to solve an issue.” Proposed Policy Statement Order at p. 12. The Commission agreed with these commentators. EAP believes, however, that the definition of “non-wires solution” as currently

drafted works to narrow the use of electricity storage assets contrary to the Commission’s intent and offers specific language changes below.

Second, EAP strongly supports the Commission’s decision to “decline to adopt a specific cost-effectiveness test or methodology”⁵ and the Commission’s statement that when an EDC considers “using electricity-storage...[it] would need to justify the costs like any other traditional infrastructure upgrade.” Proposed Policy Statement Order at p. 14. As such, EAP would strike the phrase “at lower total resource cost” from the proposed definition of “non-wires solution” to align language in the Proposed Policy Statement Order with the language set forth in Annex A. This language is not needed in the definition of “non-wires solution” because § 69.XXX2 already identifies that an electricity-storage asset must be cost justified, utilizing language that is consistent with the Commission’s traditional approach for assessing the inclusion of infrastructure in rate base.

Based on the above discussion, EAP asks that the Commission revise the definition of “non-wires solution” to read⁶: “An Electric Distribution Company (EDC) investment and operating practice that acts as a distribution asset to: improve reliability, resilience, or service; reduce congestion or system constraints; or as otherwise operationally justified by the EDC at the time of implementation.[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 synonymous

⁵ See, Supplemental Comments filed to the August Secretarial Letter (Docket No. M-2020-3022877) by Duquesne Light Company at pp. 7 – 8 which provide that in applying the Total Resource Cost methodology to determine cost-effectiveness of storage, its value may be underestimated by not considering time-savings, reduced disruption to the community in the context of installation of storage, reduced need to access private property for infrastructure, reduced environmental disruption, improved aesthetics and equity.

⁶ EAP suggests adding the underlined language and deleting the bracketed language.

with “non-transmission alternative” or “NTA” which is the term used by the National Regulatory Research Institution (NRRI) ⁷.]

B. Proposed Modifications to § 69.XXX2. Electricity-Storage as a Distribution Asset.

Similarly, EAP offers a simple modification to the proposed section detailing the policy parameters for EDCs to consider when using electricity-storage as a distribution asset. EAP suggests replacing the phrase “cost effective and proper” with the phrase “reasonable and prudent” in the third sentence of proposed section 69.XXX2. Use of the phrase “reasonable and prudent” when considering whether a project should be included in rates for cost recovery pursuant to the Public Utility Code is a concept that includes considerations of cost-effectiveness and necessity.⁸ EAP believes the phrase “reasonable and prudent” is a term of art in utility law which is well understood and will provide greater clarity to the guidance set forth in the proposed Annex A - Energy Storage Asset Policy Statement.

III. CONCLUSION

EAP appreciates the opportunity to provide comments on the Commission’s Proposed Policy Statement Order on Utilization of Storage Resources as Electric Distribution Assets. EAP agrees with the Commission that it is timely to set forth guidelines for the usage of electricity-

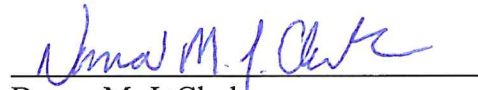
⁷ The modifications suggested include striking the final sentence of the “non-wires solution” definition as currently set forth at Annex A. EAP believes that the term “non-transmission alternative” as defined and used by the National Regulatory Research Institution (NRRI) in its publication *“Getting the Signals Straight: Modeling, Planning, and Implementing Non-Transmission Alternative Study, February 2015”*, (NRRI Study), see Proposed Policy Statement Order at fn. 2, is not synonymous with the term “non-wires solution” as discussed in the Proposed Policy Statement Order and does not reflect the Commission’s decision, for example, to decline to adopt a specific cost-effectiveness test or methodology. EAP maintains that the reference to the term “non-transmission alternative” as used by the NRRI in the policy statement itself may act to limit the flexibility and innovation discussed by the Commission in its Proposed Policy Statement Order.

⁸ See, e.g., sections 1327(a)(4), 1353(a), 2806.1(k) and 2807(f)(7) of the Public Utility Code, 66 Pa. C.S. §§ 1327(a)(4), 1353(a), 2806.1(k) and 2807(f)(7) all of which contain the phrase “reasonable and prudent” in the context of determining whether a utility will recover certain costs under varying scenarios, i.e., acquisition of water and wastewater systems; a distribution system improvement charge; EDC energy efficiency and conservations plans; and, smart meter technology and time of use rates. See generally, Section 1501 of the Public Utility Code, 66 Pa. C.S. § 1501 which contains the concept of reasonableness in terms of both adequacy of service and the procedures/rules/regulations promulgated by the Commission and developed by the utility to render utility service.

storage assets as electric distribution assets in the Commonwealth of Pennsylvania. EAP and its members support a policy statement that provides flexibility and non-prescriptive guidance, that encourages consideration of energy storage alongside traditional solutions as a tool to resolve a variety of distribution system issue, and that does not dictate a specific cost-effectiveness test or methodology. For the reasons stated above, EAP respectfully suggests the modifications detailed under section II. of these comments to clarify and align the language set forth in Annex A with the intent expressed by the Commission in its Proposed Policy Statement Order.

Respectfully submitted,


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